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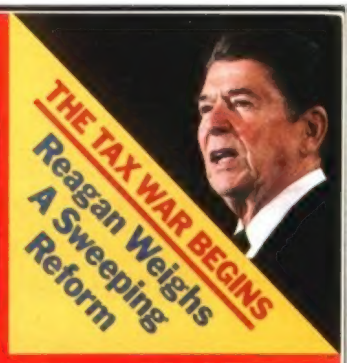

THE TAX WAR BEGINS
Reagan Weighs A Sweeping Reform

MEDICAL MIRACLES

But How to Pay the Bill?

Surgeon DeVries With Artificial Heart

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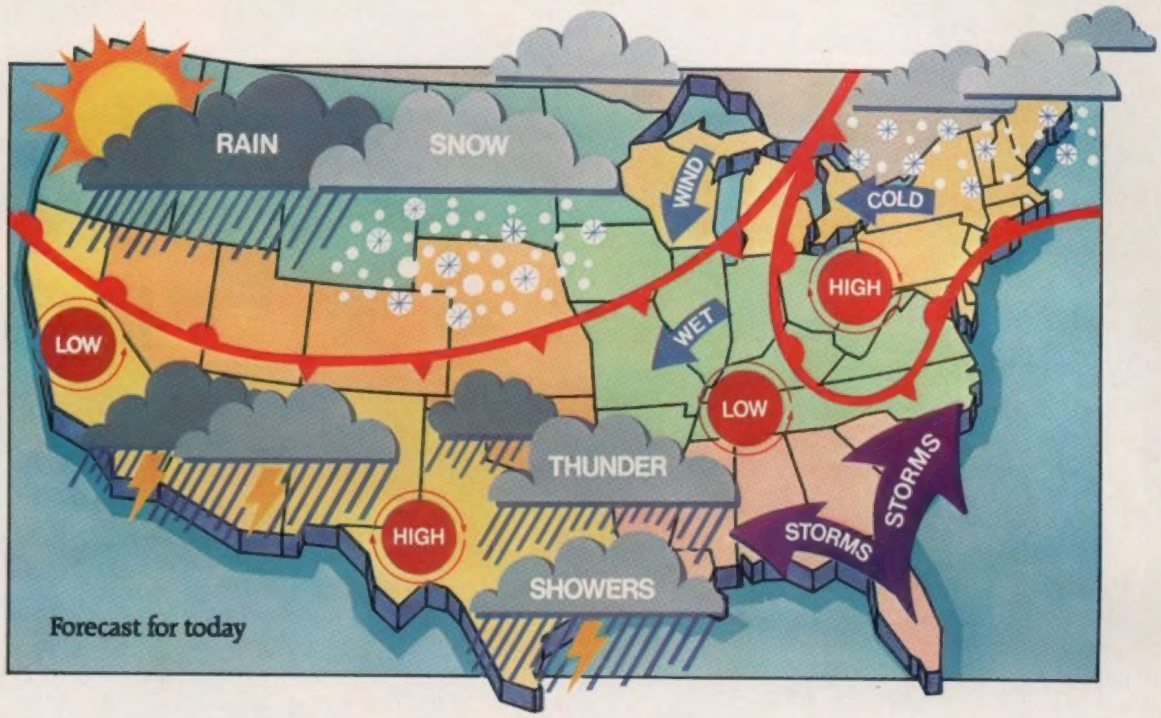

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Ford

Get it together–Buckle up.

DECEMBER 10, 1984

TIME
THE WEEKLY NEWSMAGAZINE

Vol. 124 No. 24

COVER: Medical miracles—but how to pay the bill? 70

After seven hours of nerve-racking surgery, William Schroeder becomes the only man in the world now living with an artificial heart. But there are thousands of other patients who need similar hugely expensive treatments. Who can pay such bills in billions? Is it right that private firms profit from them? And are they draining funds needed for other forms of medicine?

NATION: Going for broke with tax reform and spending cuts 20

The Administration floats two of the biggest trial balloons ever, and almost every lobbyist in Washington takes aim. ▸ Bob Dole takes over the Republican Senate leadership and declares his independence from the White House. ▸ Weinberger outlines his careful criteria for using U.S. combat forces. ▸ Crashing an empty jet for safety's sake. ▸ Ruckelshaus quits the EPA.

BOOKS: Two dozen glowing volumes celebrate nature, faith and art 94

This year's season's readings range from opulent examinations of Matisse and Renoir to the meticulously detailed wildlife studies of Illustrators Michael Warren and Glen Loates, to photographic recollections of baseball past by Walter Iooss and pictures of American history by the photographers of LIFE, to works on subjects as diverse as rock, angels and Frank Sinatra.

Cover: Photograph © 1984 William Strode—Black Star from Humana Inc.

TIME (ISSN 0040-781X) is published weekly for $51.50 per year, by Time Inc., 10880 Wilshire Blvd., Los Angeles, CA 90024. Time Inc. principal office: Time & Life Building, Rockefeller Center, New York, N.Y. 10020. J. Richard Munro, President; U. L. Uebelhoer, Treasurer; P. Peter Sheppe, Secretary. Second class postage paid at Los Angeles, CA, and at additional mailing offices. POSTMASTER: Send address changes to TIME, Time & Life Building, 541 N. Fairbanks Court, Chicago, Ill. 60611.


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A Letter from the Publisher

In its Medicine section, TIME has always sought two goals: to report and, perhaps more important, to clarify even the most esoteric technical subjects. In recent years it has run cover stories on medical matters as diverse as the dangers of cholesterol, the health effects of stress and the origin and treatment of pain. As this week's cover story on the artificial heart illustrates, TIME's purpose has again been not only to relay the news of surgical procedures and laboratory discoveries but to place those advances in a larger context.

STRODE—BLACK STAR

DeVries and Correspondent Dolan in Louisville

"A decade ago, we might have looked on such a medical achievement with something like awe," says Senior Editor David Brand, who is responsible for TIME's health and medical stories. "We are still fascinated by this new technology, but now we are looking beyond it to very pertinent social and ethical questions."

In the past 15 years or so, reader interest in such issues has grown remarkably. Growing along with that interest has been more sophisticated medical reporting. "Journalists no longer uncritically accept the word of physicians," says Brand. They are far more knowledgeable now about medical issues, he adds, and about how such issues relate to larger concerns of society.

From the moment it was learned that William Schroeder would become the second man to receive a permanent artificial heart, TIME Correspondent Barbara Dolan became a kind of paramedic-in-training, reading literature about the operation and the man who performed it, Dr. William DeVries. She sought second, third, even fourth opinions from experts in the field. Yet she never lost sight of the human drama. At briefings for reporters at Humana Hospital Audubon in Louisville, she found herself "slipping in questions about the decor of Schroeder's hospital room between questions about whether there was too much fluid in his lungs."

Since becoming a TIME correspondent in 1981, Dolan has covered such major science stories as the implications of nuclear power and the dilemma of toxic waste. The efforts to save Bill Schroeder are in stark contrast to a story she reported last spring on families whose religious beliefs led them to refuse medical care for their dying children. To follow every step of Schroeder's progress, Dolan, along with TIME's Teresa Barker, has been almost as closely tethered to the Humana press center as the patient is to the machinery that powers his artificial heart. During her long reporting vigil, she has found herself frequently checking her own vital signs. "After six days of nonstop reporting," says she, "most of the journalists covering the implant were ready for intensive care. Any physician walking into the press center would have prescribed immediate bed rest."

John a. Meyer

Some people in Washington are planning to tax your employee benefits.

Tell them it's for the birds.

There's a disturbing move afoot in Washington to help cut the federal budget deficit by taxing employee benefits such as life insurance, health insurance, and pensions, now provided by your employer or union.

This could have serious consequences.

Over the years, government policy has encouraged the establishment of employee benefit plans that protect you and your family against the financial tragedy of premature death, disability, or crushing medical bills, and help you look forward to a worry-free retirement.

Now, the move to tax employee benefits would reverse decades of Congressional encouragement of benefit plans and would lead directly to reductions in benefits as costs escalate because of added taxes. It would not only cost you more in taxes but, over time, could reduce the amount of benefits your employer or union could afford to provide.

We think a tax on employee benefits is a bad idea. The voluntary health and life insurance and pension plans now in place provide a base of security that helps to protect you and your family. Let's keep it that way.

Tell your elected officials how you feel about taxing employee benefits. It's your future that is threatened.

American Council of Life Insurance
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HEALTH INSURANCE ASSOCIATION OF AMERICA
1750 K Street NW, Washington, DC 20006

Letters

Four More Years

To the Editors:

Ronald Reagan's greatest service to the world has been his success at harnessing the American spirit [NATION, Nov. 19]. He has reawakened an awareness of human potential in a land that was infected by Watergate, Viet Nam and the Iranian hostage situation. America is back, and all the world now recognizes it.

Martyn Brown
Shawnigan Lake, B.C.

Voters tend to elect Democratic Congressmen to get them goodies and Republican Presidents to protect them from other people's Democratic Congressmen.

Taras Wolansky
Kerhonkson, N.Y.

The Democratic Party leaders as well as the national media have insulted the voting public. Their rationale for the Reagan landslide is the President's ability to charm voters and Walter Mondale's inability to get his message across. At what point will these two groups admit that the majority of Americans support the President on the issues? The Mondale-Ferraro message was clearly heard, understood and overwhelmingly rejected.

Craig DuMez
Brookfield, Wis.

As an American living in Brazil, I felt great pride as I listened to Mondale's concession speech. It was one of the most beautiful examples of our democracy in action. Brazilians were emotionally moved to hear the defeated candidate rally his adherents to support the newly re-elected President.

Donald E. Gall
Manaus, Brazil

Mondale's message to young voters was "come and join us." Join whom? The only groups he ever mentioned were the hungry, the unemployed, the homeless, the discouraged, the depressed and the poor. Granted there are millions in those

IT ISN'T ESSENTIAL THAT ONE EXPERIENCE OTHER CARS BEFORE BUYING A SAAB. BUT IT CAN BE VERY CONVINCING.

The road to a Saab is littered with the hulks of cars you thought would be just what you wanted, but weren't.

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When you wanted performance, you went out and bought it. You bought twice as many cylinders as necessary. Twice as many carburetor barrels. Twice as many exhaust pipes. You had to: you had to move around twice as much weight.

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The ideal car should do everything well.

It probably isn't possible to make the ideal car. For one thing, especially in a big car company, it's often impossible to get everybody to agree on what the ideal car is.

Fortunately, Saab is a small car company. And all parties involved in the creation of Saab automobiles have come to the general agreement that, for their part, the ideal car is one that does everything well.

You can tell how close a carmaker has come to making the ideal car by examining that car's strong points.

Paradoxically, there really shouldn't be any.

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Is the ideal car, then, one that handles well, performs well and does many other things well besides? Well, ask yourself– why shouldn't a car do all this?

A Saab could never be your first car.

No one at Saab would be rash enough to claim they've made the ideal car.

On the other hand, no one at Saab would disagree that making the ideal car is their common goal. To understand this, is to begin to understand what a Saab is.

And many car buyers have begun to understand. Because, for the past four years, demand for Saabs has exceeded an ever-increasing supply.

Every year, for the past four, an increasing number of drivers have discovered that a Saab is close to their personal ideal of what the ideal car should be: fun to drive, practical, comfortable and durable.

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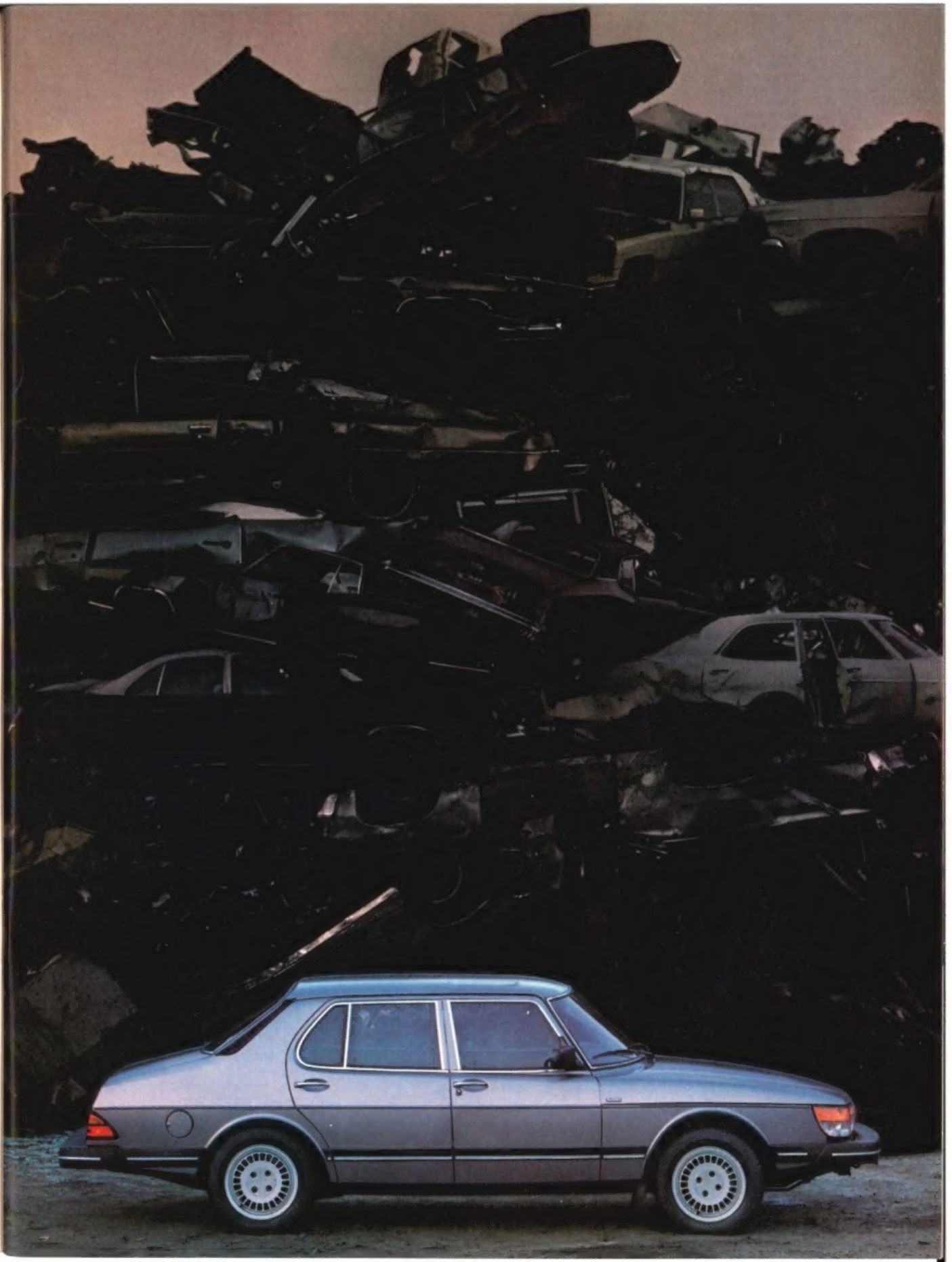

Letters

categories, but to the youth who are educated and employed, joining them would be a step down. The shining city on the hill read Republican.

John J. Kardas
Latham, N.Y.

Unless the President's incredible luck holds for another four years, his flawed foreign policy and destructive domestic course can only lead us to disaster.

Andrew W. Mungerson
Oak Park, Ill.

I weep for my country.

Philip Berroll
Los Angeles

Hugh Sidey's column "When the Elite Loses Touch," which attacked East Coast intellectuals' support of the Democrats, neglects the fact that close to 37 million "plain people" in the electorate saw through the Reagan smokescreen of flag waving and good feeling. They realized that the President possesses no substance and voted for Mondale and Ferraro.

Thomas F. Budlong Jr.
Decatur, Ga.

What is elitist about believing in the ERA, religious freedom, compassion for the poor, clean air, pro-choice on abortion and comparable pay for comparable work? Citizens who are concerned with these issues are responsible Americans.

Michele U. Farley
West Hartford, Conn.

I do not know any East Coast intellectuals, but I know plenty of ordinary people who voted for Mondale. We range from musicians to accountants to retired schoolteachers.

Mary K. Trumble
Austin

Hooray for Sidey's reflection on the Reagan mandate. Now that history's best-educated and best-informed voting public has exercised its independence, whom will these liberals speak to? Themselves?

Sally van Winkle Rohne
Astoria, Ore.

If the voters in their infinite wisdom are always right, as Sidey suggests, how does he explain their choice of Richard Nixon, Herbert Hoover, Warren Harding and other disasters?

Irving Elman
Pacific Palisades, Calif.

Sidey goes too far when he rhapsodizes over the wisdom of the plain people, whose voting preferences differed so sharply from those of America's intellectuals. Was it wisdom that North Carolinians showed in returning Jesse Helms to the Senate? Better to see it for what it is, a mixture of prejudice, gullibility and fear.

Ted Klein
New York City


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Letters

If Sidey will look at the popular vote, he will see that the out-of-touch "elite" he describes as favoring Mondale numbered in the millions. We voted for Mondale and Ferraro because they were intelligent, honorable, patriotic candidates.

John C. McLucas
Baltimore

Theodore White, in his analysis "The Shaping of the Presidency 1984," says Jesse Jackson's campaign called for black separatism. But before condemning Jackson's ideas, we should recall the price paid for the earlier triumphs of Roy Wilkins and Martin Luther King Jr. Many suffered and died to have those issues addressed. Perhaps if those same people had had better representation in government, which is what Jackson is seeking, they would be here to enjoy those victories.

Stanley U. Levy III
Fairborn, Ohio

Man of the Year

For TIME's Man of the Year: women.

Gary Dembs
Southfield, Mich.

José Napoleón Duarte of El Salvador and Raúl Alfonsín of Argentina, two leaders who symbolize democracy, peace and social justice for Latin America.

Richard H. Ebright
Boston

Andrei Gromyko, the dour and durable Soviet diplomat who has survived 40 years of purges, intrigue and cutthroat competition for power.

Joseph W. Romita
Bakersfield, Calif.

Sally Ride, Geraldine Ferraro and the women of the XXIII Olympiad. Can there be any doubt that TIME's choice should be the American woman?

Sally Larsen
Tillamook, Ore.

David the bubble boy, who through his life showed us courage and through his death may have shown the way to prevent immune-deficiency disease.

Timothy Oliver
San Diego

George Orwell, whose classic novel *Nineteen Eighty-Four* has during this year affected all.

Abbi Rose
New York City

Jesse Jackson is the Man of the Year for 1984, if not the Man of the Century.

Harriett Cotharn
Chicago

I nominate John De Lorean for his courage in battling the Government.

James A. Torok
Sparks, Nev.

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Letters

White House Ivy

Your article on the durable Swedish ivy plant in the Oval Office [LIVING, Nov. 19] should have pointed out the likeliest reason for the plant's vitality: life in a room with plenty of hot air.

Catherine Curtin Fenzel
Eastchester, N.Y.

The plant looks a little bedraggled. Are you sure President Reagan hasn't been cutting it back too?

Thomas J. Reardon
Virginia Beach, Va.

Wouldn't that dense ivy be a great place to hide a microphone?

Daniel J. Bader
Seattle

I have ivy on my balcony. In this country, ivy is supposed to bring luck. I hope it does, for the U.S. and for me.

Maria S. de Gosztonyi
La Pampa, Argentina

If only that plant could write a book.

Terry Austin
North Hollywood, Calif.

Stalled Offensive

TIME's article about the conflict between Iran and Iraq [WORLD, Oct. 29] is an echo of Iraqi propaganda. If "Iraqi morale is at a wartime high," why would an Iraqi officer surrender to an Iranian photographer who was just "threatening" him with his camera? And if "Iran does not seem to be in a position to strike a conclusive blow," why would Iraqi President Saddam Hussein ban the distribution of white undervests among his troops lest they should eventually use them to surrender?

Ali Rezaee
Ministry of Islamic Guidance
Tehran

Svetlana's Return

Whatever Stalin's daughter [WORLD, Nov. 12] may have said or done in the past, Svetlana's return to the U.S.S.R. is a case of giving up freedom for love of grandchildren.

Carol Allison
Rochester, N.Y.

It will be impossible for a 13-year-old American girl like Olga Peters to find comfort or happiness in the Soviet Union. Perhaps she will be clever enough to find her way to America, as her mother did in 1967.

Joel M. Sooby
Sacramento

Right to Life

Great effort and cost went into extending Baby Fae's life [MEDICINE, Nov. 12]. At the same time, thousands of Ethiopians, many of them children, are dying of starva-

Finally, a German r Volkswagen prices.

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lives.

Letters

tion. How can we justify spending so much money on one baby when we could save hundreds with the same resources?

Verena Greig
El Khobar, Saudi Arabia

Go and Tell

Educating our children to protect themselves against sexual abuse [EDUCATION, Nov. 12] is commendable and necessary. However, the pendulum may be swinging too far in the other direction. It would be a tragedy to deny children the warmth of a relationship with a well-meaning adult like a neighbor who touches the youngster's head or pats his back. Many people may now refrain from any contact with a child for fear of being branded an "Uncle Harry."

Edward Ullmann
Santa Rosa, Calif.

There is a danger in asking children to accuse an adult of child molesting. Any smart youngster with a sadistic bent and practical mind will find the opportunity to blackmail a loving uncle by reporting an imagined abuse.

Jacques Deriaud
Noisy-Le-Grand, France

You included schools and homes as places to educate children about sexual abuse but failed to mention the church and synagogue. Sexual abuse causes spiritual as well as physical and emotional damage. Churches and synagogues can provide healing and forgiveness for victims and repentant abusers alike.

(The Rev.) Cinda W. Gorman
El Cajon, Calif.

Speakers of Tongues

Your accolade to translators [BOOKS, Nov. 19] is the kind of notice those solitary and devoted literary artists seldom receive.

A. Leslie Willson
Austin

To appreciate the fine art of translation and its many complexities, one must learn a foreign language well: an experience that few Americans have had.

Lois Vines
Athens, Ohio

Translators bring us more than literary treasures. They transmit technology and make it possible to conduct business and diplomacy between nations. It is a shame their efforts, talents and dedication bring them so little in the way of recognition and financial reward.

Henry C. Hinds
El Paso

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TIME/DECEMBER 10, 1984

Up Go the Trial Balloons

New tax and spending plans draw heavy fire

Taken together, the two plans would add up to as ambitious a domestic program as any U.S. President has ever proposed. If enacted, the sweeping tax reform outlined by the Treasury Department last week, and the draconian cuts in federal spending suggested by budget planners, would put Ronald Reagan's mark on the U.S. economy, and on American society, for a generation or more.

So much for theory. Now enter reality: the tax and spending plans look like two of the biggest trial balloons ever floated. It is all but impossible that either, let alone both, could get past Congress *in toto*, and President Reagan took care last week not to embrace officially a single one of the recommendations. He will listen to outraged screams from every imaginable lobby, from farmers to museum directors, before deciding which ideas to put forward as potentially salable, or at any rate worth a fight, in his State of the Union and budget messages early next year. After that, there will be a battle royal on Capitol Hill, with the outcome unpredictable. The tax and budget plans could set the terms for national debate over domestic policy for years into the future.

The tax plan, presented to the President and the press last week by Treasury Secretary Donald Regan in the form of a chart-studded, 262-page booklet (with two fat volumes still to come), puts more flesh than ever before on ideas that would-be tax reformers have been kicking around since the 1950s. It gives Americans their clearest idea yet of who might be helped and who hurt by a thoroughgoing rewrite of tax codes aimed at trading the elimination of most exemptions, deductions and preferences for deep slashes in tax rates.

The spending cuts, proposed by Budget Director David Stockman, were presented to Reagan in a thick loose-leaf book. Although the details were not made public, the outlines became clear after a series of high-level White House meetings late last week. The Stockman plan would demand sacrifices from a broad range of citizens in order to uphold Reagan's campaign pledge not to raise taxes, cut Social Security or countenance much slowdown in the U.S. military buildup.

Formally, the tax reform and budget-cutting plans have nothing to do with each other. On Reagan's orders, the Treasury designed the tax overhaul to be "revenue neutral." Though there would be major shifts in who pays how much tax (generally, individual taxpayers would pay less and corporations more), total revenue would be approximately the same as under present law. Thus the tax changes would supposedly have no effect on the budget deficit, now estimated at $200 billion or more for the foreseeable future; their justification is that they would make the tax system simpler and more equitable.

Treasury Secretary Regan outlining proposed

Stockman's spending cuts, in contrast, aim at slicing the deficit in half by fiscal 1988, to about $100 billion. Some White House officials are referring to the first-stage reductions, in fiscal 1986, as a "freeze," but that term is misleading. Total spending might be held to about the $968 billion now anticipated in fiscal 1985, which started Oct. 1. Within that total, though, outlays for Social Security, defense, interest on the national debt and some "safety net" programs for the poor would continue to rise. The increases would be balanced by deep cuts in everything from farm price supports to veterans' health benefits, and total elimination of such programs as operating subsidies for mass transit and federal aid for the construction of sewage-treatment plants.

But though their goals are quite different, the tax and spending plans are likely to be inextricably entwined. Both would profoundly affect the future growth of the U.S. economy, to the extent that many Senators and Representatives of both parties doubt that they can or should be considered separately. Says Missouri Republican John Danforth, a senior member of the Senate Finance Committee: "Unless tax simplification is linked to raising revenues and is put together with budget cuts, you're not going to have a package."

Smile before the storm: President Reagan at a White House ceremony last week

CYNTHIA JOHNSON

Income tax reform to reporters. Highlights: lower rates, fewer deductions, more income subject to tax

The proposals are alike in another way: they constitute a headlong assault on every special interest, and some not-so-special interests, represented in Washington *(see box)*. An aide to Democratic Senator William Proxmire enumerates some of those who have expressed opposition to the tax plan: "Organized labor, banks, the life-insurance industry, charities, colleges, state and local governments, aerospace companies, chemical companies, metal-fabricating firms, railroads, airlines, utilities, real estate groups, oil companies, restaurants and hotels, credit-card companies, stock exchanges and credit unions." That list does not include the well-financed and deeply entrenched lobbies, representing veterans, farmers and teachers, among others, which are likely to unite against the spending cuts.

On the tax side, though, the Administration is picking up some oddly assorted allies. Treasury Secretary Regan boasted last week to White House Chief of Staff James Baker, "The Consumer Federation, who are as left wing as they get, and the National Taxpayers Union, who are somewhere to the right of Genghis Khan, are going to appear together to support my proposals." Indeed, the plan is reversing some usual political alignments. J. Hugh Liedtke, chairman of Pennzoil and a staunch Reaganite, declares, "The Treasury proposals are diametrically opposed to the general thrust of President Reagan's philosophies and policies as we understand them." Robert McIntyre, an official of the liberal Citizens for Tax Justice, remarks ironically that Reagan "now has a tax plan that John F. Kennedy, Harry Truman and Franklin Roosevelt would be proud of."

A rundown on the two plans:

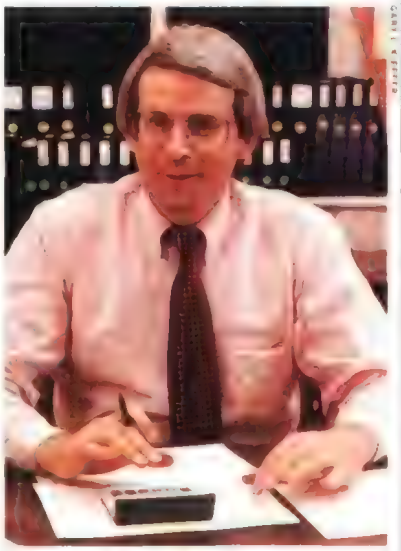
Taxes. Presidents, economists and ordinary citizens have complained for at least a decade that the income tax code is hideously complex and often unfair. In his State of the Union address last January, Reagan asked Treasury Secretary Regan to suggest by December a thorough rewrite that would simplify the tax code and reduce tax rates. The President later made it clear that the reform should neither raise nor lower the total tax burden. A working group of nine department executives, assisted by 30 tax lawyers, 30 economists and a support staff of roughly 40, began meeting several times a week. Crunching numbers through the night toward the end, the team produced a plan that would constitute the most complete revision of income taxes at least since World War II, and perhaps ever. The guiding principle: reduce tax rates for everybody, but apply those reduced rates to vast amounts of income that is now excluded from taxation. Details:

▸ Individual taxes. The present schedule of 14 income brackets for joint returns, taxed at rates ranging from 11% to 50%, would be replaced by just three rates: 15% on taxable incomes up to $31,800 a year; 25% on incomes between $31,800 and $63,800; 35% on anything higher. Personal exemptions would be roughly doubled to $2,000 each and the "zero-bracket amount" (the sum, equivalent to the old standard deduction, on which no tax is due) would rise from $3,710 to $3,800.

End of good news. The 35% of all taxpayers who now claim itemized deductions would lose many of them. No deductions would be permitted for state and local income, sales or, in most cases, property taxes. Charitable contributions could be deducted only to the extent that they exceed 2% of adjusted gross income (charities figure the average deduction is now 1.97%). Interest would be fully deductible only on a mortgage for a primary residence; deductions for other types of interest—on second-home mortgages, auto loans, personal loans—would be limited to $5,000 in excess of investment income. Thus a taxpayer who received $1,000 in dividends or interest on savings accounts could deduct up to $6,000 of interest payments, but no more. The $1,800 deduction for two-income families would be repealed, which critics charge amounts to reinstituting the notorious "marriage penalty." The Treasury replies that most married couples would save on taxes anyway because of lower rates.

On top of that, individuals would pay tax on many benefits not now counted as "income." Workers would be taxed on any contributions that their employers make to group-term life insurance plans, and on employer contributions to hospital-medical plans that exceed $70 a month for single people and $175 for families. The Treasury estimates that about one-third of all workers covered by such hospital-medical plans would be affected. Every dollar of unemployment compensation, and in some cases portions of workers' compensation payments and miners' black-lung benefits would be subject to tax. Even housing allowances that church congregations grant to their ministers would be taxed.

The upshot: by 1990, when all provi-



CARL T. GOSSETT

Stockman at a budget-cutting session

sions would be fully in effect, the Treasury estimates that individual taxpayers collectively will pay $38 billion, or 7%, less than they would under present law. Some 56% of the nation's 91.4 million families would get a tax cut, 22% would pay about what they do now, and 22% would be taxed more heavily. The reductions would be largest for low- and middle-income taxpayers. Treasury Secretary Regan boasts that the truly poor would be "exempt from taxation." For a family of four, the combination of higher personal exemptions and an increased zero-bracket amount would eliminate taxes on 1986 income under $11,800—$200 above the poverty line.

But most tax cuts would be 2% or less, and in every income bracket at least a few families would be hit harder. Though the Treasury Department says most of the increases also would be minor, skeptics have grave doubts. New York Governor Mario Cuomo figures the average Empire State family that now itemizes deductions would lose $2,400, mostly because of the phasing out of deductions for state and local sales and income taxes.

▸ Business taxes. The tax rate on corporate profits would drop to 33% from the present 46%. For many companies, however, that provision would be far outweighed by the loss of two big breaks. They could no longer reduce their tax bills by an amount of up to 10% of what they invest in new plant and equipment. And they could not depreciate existing plant and equipment at accelerated rates; they would be limited to deductions representing the actual rate at which assets wear out, plus an allowance for inflation in the cost of replacing those assets.

In addition, many special tax breaks now enjoyed by the oil and banking industries would be wiped out. The Treasury plan even takes a swipe at the fabled three-martini lunch: business meal deductions would be limited to $10 a person for breakfast, $15 for lunch and $25 for dinner. Sniffed André Soltner, owner of Lutèce, a four-star restaurant in Manhattan: "You can't come in here at lunch for $15."

By 1990, total taxes paid by business would rise by $45 billion. That would be a net tax increase of 24%, further reversing a long trend. The corporate tax share of federal revenue dropped from 19.5% as recently as 1969 to a mere 6.2% in 1983, and is estimated at 8.5% this year. Under the Treasury proposals it could be expected to rise further.

The Treasury team did not originally set out in this direction. But it was boxed in by Reagan's orders. If taxes on individuals were to be reduced on balance, yet total collections held even, business was the only place to get the money. The team also concluded that the present tax system favors some companies, mostly in "smokestack" industries such as steel and autos, at the expense of others, such as retailers, service industries and fast-growing high-technology corporations, that have less investment in plant and machinery and thus less chance to reduce taxes. An example of the disparity: General Electric paid no federal income tax between 1981 and 1983; indeed it collected $283 million in net tax refunds. IBM during the same years paid almost $4 billion in taxes, equal to 28% of its net income.

▸ Investment taxes. Both individuals and corporations would pay taxes at full ordinary-income rates on profits on the sale of stock, real estate or other assets (less an allowance for inflation) regardless of how long the assets had been held. At present, only 40% of such capital gains on assets owned for six months or more is subject to tax. Also, the Treasury promises an all-out attack on tax shelters, which allow investors in many oil, real estate and agricultural ventures to deduct accounting "losses" from other income.

The Treasury claims enormous benefits from all this: equity (both corporations and individuals would be taxed equally on equal amounts of income), simplicity (Secretary Regan distributed a revised Form 1040, with 55 lines, 13 fewer than in the present version), and faster economic growth (because investments would be channeled into the most productive activities, rather than those that are most lightly taxed). Yet the Administration appeared astonishingly diffident toward its own initiative. President Reagan issued a written statement asserting that "at first glance" the Treasury plan appeared to fulfill his goals. But he stated that "all of us will need time to study the entire document. We are willing to listen to the comments and suggestions of all Americans and especially those from the Congress." Aides insisted that this tepid response was part of a calculated strategy to sniff out public sentiment before deciding how, and how rapidly, to proceed. In other words, the plan is, precisely, a trial balloon. And nothing more.

To many members of Congress, the balloon seems filled with lead. They are loath to brave the wrath of the many constituents who would be hurt by the plan for the sake of a reform that does nothing to shrink the shockingly menacing deficit. Many would prefer to use tax reform as sugarcoating for a net tax increase, but that approach would clash head on with Reagan's diehard opposition to any overall tax boost. Consequently, Robert Dole, newly elected majority leader of the Republican-controlled Senate *(see following story)*, gently told the White House that Congress would probably give "No. 1 priority" to deficit reduction.

Spending. Reaganauts are agreed on their goal: to reduce the deficit from the current 5% of gross national product to what is regarded as a manageable 2% of G.N.P. in 1988. With tax increases ruled out by the White House and the economy now in a slowdown, precluding a rapid expansion of revenues at present tax rates, there is only one means to dry up red ink: spending cuts even more drastic than the Administration won in 1981. Stockman's recommendation, faced with these all but absurd options, was to slash estimated outlays by $45 billion the next fiscal year, $85 billion in 1987 and $110 billion in 1988.

The Budget Director has proposed reductions in Medicare, Medicaid, farm subsidies, veterans' benefits, civil service

JERRY ASHE

Democratic Tax Reformers Richard Gephardt and Bill Bradley

Their bill also aims at a major tax simplification with reduced rates, but the Treasury's plan goes even further.

DANA WALKER

Republican Collaborators Jack Kemp and Robert Kasten

Their single-rate plan comes closest to a true flat tax but is gentler in treatment of capital gains.

Comparing Tax Wish Lists

The Treasury trial balloon, released last week, is not the only major tax-reform proposal afloat in Washington. Rival versions were introduced in Congress last year. The Republican plan, sponsored by Congressman Jack Kemp of New York and Senator Robert Kasten of Wisconsin, comes closest to the idea of a "flat tax," a single rate for all taxpayers. The Democratic alternative, sponsored by Senator Bill Bradley of New Jersey and Congressmen Richard Gephardt of Missouri, offers graduated but lower tax rates. Below, the main features affecting individual taxpayers are compared with current tax law:

Category		Current Tax Law	Treasury Plan	Kemp-Kasten	Bradley-Gephardt
Individual Rates	Single	15 brackets from 11% to 50%	0% up to $2,800 of AGI (adjusted gross income) 15% up to $19,300 25% up to $38,100 35% over $38,100	0% up to $2,700 25% flat rate, with 20% exclusion for earned income	0% up to $3,000 14% up to $25,000 26% up to $37,500 30% over $37,500
	Married	14 brackets from 11% to 50%	0% up to $3,800 15% up to $31,800 25% up to $63,800 35% over $63,800	0% up to $3,500 25% flat rate	0% up to $6,000 14% up to $40,000 26% up to $65,000 30% over $65,000
Mortgage Interest		Deductible	Deductible for principal residences only	Deductible	Deductible[1]
Other Personal Interest		Deductible	Deductible up to $5,000	Not deductible except for education loans	Deductible only for investment income
Property Taxes		Deductible	Not deductible	Deductible	Deductible
State and Local Income Taxes		Deductible	Not deductible	Not deductible	Deductible
Charitable Contributions		Deductible	Deductible above 2% of AGI	Deductible	Deductible
Medical Expenses		Deductible above 5% of AGI	Deductible above 5% of AGI	Deductible above 10% of AGI	Deductible above 10% of AGI
Indexing[2]		Yes	Yes	Yes	No
Individual Retirement Accounts		$2,000 tax deductible[3]	$2,500 tax deductible	$2,000 tax deductible	$2,000 tax deductible
Corporate Pensions		Tax deferred[4]	Tax deferred	Tax deferred	Tax deferred
Social Security Benefits		Not taxed for lower and middle incomes	Same as current law	Taxed at lower rates	Same as current law
Capital Gains		60% excluded from income	Taxed as ordinary income	19% excluded for 10 years, then taxed as ordinary income	Taxed as ordinary income
Capital Gains on Owner-Occupied Housing[5]		Yes	Yes	Yes	Yes
Child-Care Costs		Tax credit up to $2,400 (1 child) $4,800 (2 or more)	Deductible up to $2,400 (1 child) $4,800 (2 or more)	No credit or deduction	Deductible up to $2,400 (1 child) $4,800 (2 or more)
Health Insurance Paid For by Employer		Not taxed	Not taxed up to $70 a month (single) $175 a month (family)	Not taxed	Taxed
Life Insurance Paid For by Employer		Not taxed	Taxed	Not taxed	Taxed
Business-Related Entertainment		Deductible	Meals deductible up to $50 a day	Deductible	Deductible
Business Travel		Deductible	Deductible up to twice the travel per diem ($100) for federal employees	Deductible	Deductible

[1]Under Bradley-Gephardt, all deductions are at a maximum rate of 14%

[2]Adjusting tax brackets to inflation

[3]Annual contribution to IRA up to $2,000 is not counted as taxable income

[4]Corporate contribution to pension fund is not counted as taxable income until retirement

[5]Profit on sale of home is not taxed as income if used to buy new home within 18 months

retirement programs and grants to states and localities for such purposes as education and urban development. A slew of programs and agencies—some of debatable value, some of remarkable worth—would be consigned to oblivion: the Job Corps, the Small Business Administration, the Export-Import Bank, subsidies to Amtrak. Also, the Reaganauts are considering a genuine freeze on cost of living increases in many benefit programs other than Social Security.

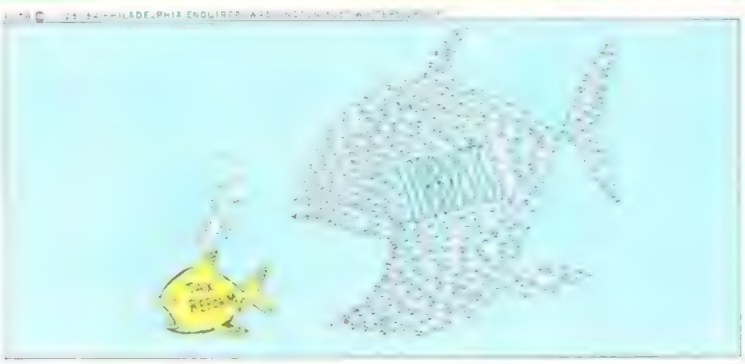
Reagan has insisted on a line-by-line review of Stockman's proposals, asking questions when he is dubious, signifying agreement mostly by keeping silent. At one meeting last week Stockman suggested a cut in federal aid to public libraries. A senior White House aide questioned whether Washington should be subsidizing libraries at all. Reagan indicated by silence that he shared the doubt, and library assistance was added to the list of programs facing total elimination.

The big hang-up is on military spending. Stockman wants a reduction of $10 billion in the requested appropriation for fiscal 1986, $20 billion the following year and $30 billion in 1988. Secretary of Defense Caspar Weinberger adamantly insists on a $333 billion request for 1986, which would be a 7% increase after adjustment for inflation. At a Thursday meeting in the White House, House G.O.P. Leader Robert Michel and Nevada Senator Paul Laxalt got into what a Reagan aide described as a "heated" exchange with Weinberger. The lawmakers' point: Congress will not buy civilian spending cuts of anything like the depth the Administration desires unless the Pentagon shares in the sacrifice.

The White House wants to put all the budget cuts into a single gargantuan bill for one yes-or-no vote. The aim would be to throw down this challenge to the Democrats who control the House: You have been screaming about the deficit; here is your chance to do something about it. Democrats, predictably, are resisting. They talk of submitting each cut to a vote "on its merits," a process that would doom many of the proposals.

On taxes, the initial challenge is Reagan's. He must make up his mind what he wants and then fight for it. Treasury Secretary Regan gently prodded his boss in that direction, stating in a letter to the President that "the achievement of fundamental tax reform . . . will require extraordinary leadership." Congressional leaders put the point more emphatically. Said House Budget Committee Chairman James Jones, an Oklahoma Democrat: "Tax reform or any kind of tax bill is unlikely to succeed unless the President puts all the force of his personality and office behind it." Democrats also insisted that if Reagan expects to get much in the way of either tax reform or spending cuts, he will have to swallow a revenue increase through tax increases. Said Dan Rostenkowski of Illinois, chairman of the tax-writing House Ways and Means Committee: "This revenue-neutral business is pure fantasy."

Once the battle is joined, there will probably be a series of complicated trade-offs between tax changes and expenditure reductions lasting not only through 1985 but for some years beyond. The Administration's plans, whatever they finally turn out to be, will probably be too sweeping, and will raise too many philosophical and political issues, to be resolved in one year. Instead, taxes and spending may remain domestic Topic A throughout Reagan's second term, and perhaps even longer than that. *—By George J. Church. Reported by Gisela Bolte and Christopher Redman/Washington, with other bureaus*



Boom Times for Lobbyists

The line snaked out of the Treasury Department building onto the sidewalk and down the street. Lobbyists in three-piece suits and Gucci shoes were waiting for the Treasury Department's 262-page, blue-bound *Tax Reform for Fairness, Simplicity and Economic Growth*. The Government printed 5,500 copies but quickly sold out the $8 volume, so great was the demand. Marveled a Treasury spokesman: "It looked like a soup kitchen for the well-heeled."

Even as the assault began on tax reform, scores of other special interests mobilized to sink the wish list of spending cuts floated by Budget Director David Stockman. Rarely if ever have so many of Washington's more than 10,000 lobbyists been aroused at the same time. Indeed, the Administration's sweeping proposals may have touched off the ultimate lobbying war, one that will force Congressmen to choose between uplifting notions like "fairness" and "simplicity," and down-to-earth concerns like PAC money and political survival.

Judging from the opening fusillade of press releases, not just the three-martini lunch but the welfare of the republic hangs in the balance. Cutting back tax deductions for entertainment and business meals "is not only bad tax policy but also an unsound way to further the goals of strengthening the economy," intoned the Distilled Spirits Council. Taxing health- and life-insurance fringe benefits "threatens the financial security of millions of working Americans," cried the American Council of Life Insurance. And phasing out accelerated depreciation "would end up lowering the standard of living of the 30 million Americans who rent," warned the National Apartment Association. The pro-depreciation forces were ready with alternative plans, namely a national sales tax or value-added tax. "We know the best defense is a good offense," said Mark Bloomfield of the American Council for Capital Formation.

"We're reacting quickly and massively," said Richard Schweiker, the former Senator and Department of Health and Human Services Secretary who now runs the American Council of Life Insurance. The life and health insurers have bought $1 million worth of TV ads to stir opposition to taxing fringe benefits (one ad shows a flock of birds circling around and pecking away at a loaf of bread). The Massachusetts Legislative Council for Older Americans is preparing a nationwide call for mass meetings, parades and a march on Washington to resist Medicare cuts. Vows a spokesman for the Veterans of Foreign Wars: "If they want to make drastic cuts in veterans' hospitals, they're in for the fight of their lives."

While gnashing and wailing on behalf of clients, lobbyists are rubbing their hands over the fees they will earn from upcoming campaigns. They only hope the war will be a long one. "It's going to be big, really big, and it may last for years," chortles Tax Lobbyist Robert McCandless. "This could be the lobbyists' full-employment act of 1985, '86 and '87."

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A Declaration of Independence

G.O.P. Senators pick Dole to stand up to the White House

The setting was historically apt. Until the Civil War, the ornate and intimate Old Senate Chamber, its dark wooden desks arranged in semicircles, rang with the spirited oratory of Daniel Webster, Henry Clay and John C. Calhoun. Last week, when the Senate's 53 Republicans gathered in the museum-like room to elect their leader for the next two years, the forensics were apparently no less rousing. Kansan Robert Dole claimed to be thoroughly persuaded by the speech his nominator, John Danforth of Missouri, made on his behalf. "It was so impressive," Dole quipped, "that I ended up voting for myself."

After an hour and a half of secret balloting, a narrow majority of his colleagues followed suit. On the fourth ballot, Dole defeated Alaska's Ted Stevens, his nearest rival, by a vote of 28 to 25. His prize: the powerful post of majority leader, held since 1981 by Tennessee's Howard Baker, who is retiring from the Senate to prepare for a presidential bid in 1988.

Dole, a self-described moderate conservative, emerged victorious from a field of five contenders. Idaho Conservative James McClure was eliminated on the first ballot. (The election rules required that the candidate receiving the fewest votes on each ballot be dropped from the next round.) Pete Domenici of New Mexico was knocked off on the second ballot, and Richard Lugar of Indiana on the third.

That left Stevens, who as majority whip was Baker's assistant during Reagan's first term, in a face-off with Dole. In Stevens' corner was Barry Goldwater of Arizona, who in an effective, if quirky, nomination speech compared the Senate to the Washington Redskins football team and cast Stevens as a man who had valuable experience playing "back-up quarterback." But the elder statesman's plug was not enough. Stevens, known for his combustible temper, lost by three votes, and in a display of characteristic crotchetiness, immediately threatened to renew his challenge to Dole in two years.

The majority leader is one of the most influential figures in Washington. On Capitol Hill, he sets the Senate's agenda and decides what bills come to the floor. Although Dole has often joked that "majority pleader" would be a more appropriate title, many Senators chose him precisely for his ability to forge compromises out of seemingly hopeless deadlocks. Said Senator Slade Gorton of Washington: "We picked the individual with the most experience in managing bills on the floor."

Dole had something else going for him: backbone. After President Reagan's landslide re-election, there was concern that the White House would try to steamroller the Senate into meekly supporting Administration policies. The 22 Republican Senators up for re-election in 1986 were worried that Reagan might force them into votes that could damage their chances. In Dole the Senators knew they had a stand-up guy. Said Danforth in his nominating speech: "He can work with the Administration—not cave in to the Administration."

The new leader receives an aptly named gift from his wife

A ready grin, a sharp wit and a talent for compromise.

Dole has strong personal ties to the Administration through his wife Elizabeth, who is Transportation Secretary, and a record of support for Reagan's policies. But he has not shied away from strong criticism, particularly on tax and budget matters. Last week Dole said he would put a higher priority on deficit reduction than on tax reform. He also shot down the Administration's plans for deep domestic-spending cuts, promoting instead a freeze on the federal budget. As for the rest of Reagan's second-term program, he promised only to "support it where we can."

Dole's election was also evidence that the Republicans want a leader who can bring a firm hand to the upper chamber, which has grown increasingly unruly in recent years. Within hours of his election, Dole served notice that he intended to get tough on Capitol Hill. "I do believe we spend a lot of time doing very little, and that may be an understatement," he said. "If we really want the discipline, I'm willing to help provide it." The next day, Republican Dan Quayle of Indiana, head of a special bipartisan committee studying Senate procedures, met with Dole and recommended changes that would limit a legislator's committee assignments and cut down on the parliamentary loopholes that allow a lone dissenter to bring the chamber to a standstill. Such internal reforms, however, could be more difficult to pass than a tax-reform package.

Dole, 61, a tall, lean man with a ready grin, spent eight years in the House before winning a Senate seat in 1968. He has a reputation as an adroit legislative craftsman and a fierce competitor. His biting wit is legendary, but the vituperative remarks that earned him the "hatchet man" label as Gerald Ford's 1976 running mate are rare now. More typical is the comment he made last week when his wife presented him with a congratulatory schnauzer named Leader. Deadpanned Dole: "It's an indication of where my leadership is going. House-broken but not Senate-broken."

For the past four years, Dole has been chairman of the Senate Finance Committee, where he pushed through a major revision of the Social Security system and three tax bills. In 1982 he held weary committee members in an all-night meeting to grapple with a specific provision of a $100 billion tax-hike bill. He then persuaded a coalition of Republicans and Democrats to pass the bill over the protests of practically every special interest in Washington.

Dole is conservative in his voting record, but he has made barbed attacks on supply-side economics and staunchly defends such traditionally liberal measures as the food stamp program and the Voting Rights Act. His eclectic stands have made him a target of the so-called young Turks, a highly vocal group of right-wing Republicans in the House. Charges Newt Gingrich of Georgia, a member of the group: "Dole is the tax collector for the welfare state." Responds Dole: "If you are in the minority, you can put out a lot of newsletters and say, 'I'm for lower taxes.' We have a little different view in the Senate because we're in the majority. We have to be totally responsible from time to time."

Dole's selection as majority leader had a domino effect on key committee chairmanships. Oregon's Bob Packwood, a frequent Reagan critic, will succeed Dole as head of the Finance Committee, wielding power over the Administration's

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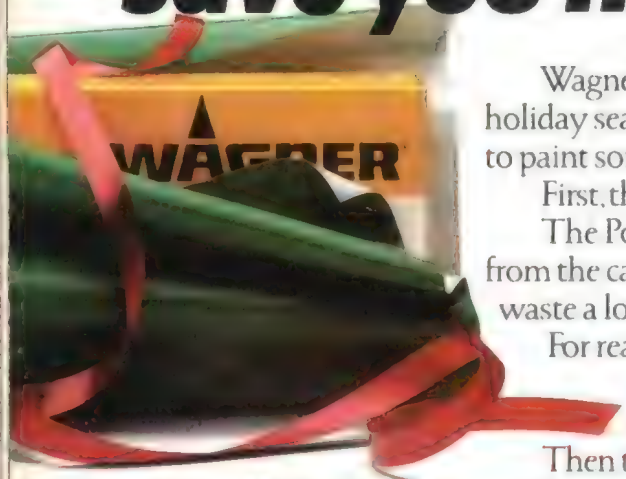

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tax-reform plan when and if it is sent to Capitol Hill. "I sort of like the tax code the way it is," Packwood told the Washington *Post* last week.

Richard Lugar will become chairman of the Foreign Relations Committee, ending weeks of speculation that North Carolina's right-wing Senator Jesse Helms, the most senior member of the panel, would exercise his option to head it. The post opened up when Illinois' Charles Percy, a moderate, lost his reelection bid Nov. 6. Some conservatives had been pressuring Helms to take the Foreign Relations post, especially if Lugar won the majority leader election and left Maryland's Charles McC. Mathias, a liberal, in line for the job. Last week Helms quietly urged his backers to vote against Lugar in the majority leader race so that the Indianan could take over the Foreign Relations post while Helms stayed on as chairman of the Agriculture Committee, where he can watch over price supports for North Carolina tobacco farmers.

Alan Simpson of Wyoming, a popular and witty conservative, easily won election as majority whip. But two Northeastern moderates, Rhode Island's John Chafee and Pennsylvania's John Heinz, nosed out Western Conservatives Jake Garn of Utah and Malcolm Wallop of Wyoming for the chairmanships of the Republican Conference of the Senate and the National Republican Senatorial Committee, which serve as the party caucus and fund-raising arm, respectively. Both men are notably less conservative than McClure and Lugar, whom they replace. "The White House is not going to like it," said one moderate Republican Senator.

Packwood

Lugar

In fact, White House aides viewed Dole's victory philosophically, feeling that his legislative acumen and credibility on Capitol Hill will be an overall plus for the Administration. "The only question mark," said one senior aide, "is whether he is going to run for President." If Dole, who has unveiled ambitions for the White House, does make a bid in 1988, his independence could become more pronounced, making the going rougher for Reagan in the final year of his term.

For now, however, Dole says his first political priority is to retain the G.O.P. majority in the Senate in 1986. And that means keeping the country happy and prosperous. "We're going to be tough to defeat," he says, "if we keep the deficit down and the economy rolling." —*By Susan Tifft. Reported by Neil MacNeil/Washington*

The Watchword Is Wariness

Weinberger outlines six criteria for sending troops into combat

Weinberger: sounding a note of caution

Everyone agrees that the long, dreadful U.S. experience in Southeast Asia implies certain important truths about what the nation should and should not attempt overseas. But exactly what *are* those lessons? In military terms, Defense Secretary Caspar Weinberger declared in an address last week, the conclusions are simple: pick wars carefully, make sure the public will cooperate, and then fight to win. Weinberger's rules are nothing new. Thoughtful U.S. military officers have been recommending the same deliberate course for some time. But Weinberger, rather surprisingly, has codified that consensus into an explicit checklist of the prerequisites for military action, a kind of national how-to guide.

On many issues, Weinberger is regarded as the leading hard-liner in the Reagan Administration. He has been skeptical even about pursuing nuclear arms-control negotiations with the Soviets. Yet last week's speech, which he wrote himself and delivered to the National Press Club, was prudent. And the precision of his manifesto was welcome from an Administration that has seemed disconcertingly vague about its foreign policy goals. Weinberger cleared the speech in advance with the White House and got approval from the National Security Council. A few hours before he delivered it, he gave a copy to Secretary of State George Shultz. The two men have been on opposite sides of national security issues, although there is no consistent ideological pattern to their differences.

On the doctrine of using conventional military force, the Defense Secretary now seems to have staked out the more temperate position. "Employing our forces almost indiscriminately and as a regular part of our diplomatic efforts," Weinberger declared, "would surely plunge us headlong into the sort of domestic turmoil we experienced during the Viet Nam War . . . The President will not allow our military forces to creep—or be drawn gradually—into a combat role in Central America or any other place in the world . . . Clearly, there are . . . situations where U.S. combat forces should not be used. [and] I have developed six major tests to be applied when we are weighing the use of U.S. combat forces abroad." Intending to "sound a note of caution," Weinberger argued that:

- Combat forces should not be committed "unless the particular engagement . . . is deemed vital to our national interest."
- If combat troops are to be dispatched, "we should do so wholeheartedly, and with the clear intention of winning." By contrast, from the outset in Viet Nam, U.S. military strategy was strictly defensive.
- "We should have clearly defined political and military objectives. And we should know precisely how our forces can accomplish those clearly defined objectives." Weinberger criticized the Marines' untenable Beirut mission. "We must not assign a combat mission to a force configured for peace keeping."
- Leaders must constantly reassess their strategic goals, and adjust tactics to suit that overall military strategy—or cut and run if necessary.
- "There must be some reasonable assurance that we will have the support of the American people and . . . Congress."
- Military action must be "a last resort."

Weinberger's most controversial assertion, though, concerned the War Powers Act, which prevents a President from committing combat troops abroad for more than 60 days without specific congressional authorization. "Decision-making authority in the Executive Branch has been compromised by the Legislative Branch to an extent that actively interferes," Weinberger declared, a position that Reagan and Secretary Shultz share. In essence, the eleven-year-old act limits the President's freedom to wage undeclared wars. For Congress that constraint is one of the lessons of Viet Nam. But critics point out that the time limit of the act might also cede an important advantage to military enemies: if it seems possible that Congress will not authorize combat past the first 60 days, the enemy has a built-in incentive to sit tight and wait for time to run out. —*By Kurt Andersen*

Fireball In the Mojave

A jet crashes on purpose

Out in the clear desert daylight at Edwards Air Force Base north of Los Angeles, the big passenger jet circled at 2,300 ft., then started its descent. The seat belts were buckled, the overhead compartments properly latched. The landing gear, however, was retracted: the Boeing 720 touched the ground hurtling on its belly at 170 m.p.h. Screeching along out of control, it rammed stanchions along the runway. Its left wing was ripped from the fuselage. Soon the plane was engulfed by an enormous fireball—and then a second fire. Not far from the crash zone, a crowd of witnesses, including Secretary of Transportation Elizabeth Dole, calmly watched the whole explosive episode.

Nobody had been aboard, of course; the doomed jet was piloted by remote control for its final, 9½-minute flight last Saturday, and the crash was an elaborately designed, $11.8 million "controlled impact demonstration" that the Federal Aviation Administration and NASA had been planning since 1978.

Yet if there had been passengers, all of them would have died in the inferno. That disappointed federal officials, since the most important goal of the test had been to see if a big fire could be prevented. The jet's 12,000 gal. of fuel contained an experimental anti-misting additive, years in development, that was supposed to prevent escaping fuel from forming a cloud of mist and then igniting into a deadly fireball. The test had been set up so that fuel would spill and be given a good chance to burn: the wings were shredded by 400-lb. blades that protruded from the Mojave Desert like giant can openers, and the landing surface was coarse gravel meant to throw off sparks as the plane slid along. Nevertheless, researchers were betting against the big fires that charred most of the plane and burned holes in its fuselage.

Not that the crash was a total failure. The FAA's overall purpose had been to monitor with sensors and cameras exactly what happens when a big passenger jet crashes. The Government was also trying out equipment that could make crashes more survivable, including rearward-facing seats and fire-resistant windows. Strapped in the passenger seats were 72 dummies, including an infant-size one. Thirteen of the dummy passengers were fitted with sensors on the forehead, upper chest and pelvis to chart the effect of G forces on the bodies of crash victims. ■

Spectacular belly flop: after a 9½-minute flight, the remote-controlled Boeing 720 with 72 dummies

One-way trip: dozens of dummy passengers, some fitted with electronic impact sensors, await takeoff

aboard skids across a desert lake bed and bursts into flames. FAA officials say the test crash will yield valuable safety data in the coming weeks

Remote control: the pilot of the aircraft in his cockpit on the ground

Fire retardant: an experimental additive is mixed with regular jet fuel

Sweet and Sour

Jockeying over Geneva positions

"The President is committed to getting results," declared National Security Adviser Robert McFarlane. "We will be both flexible and constructive." Promised Soviet Leader Konstantin U. Chernenko: There are no preconditions, and the Soviet Union is willing to discuss all nuclear weapons systems.

Those upbeat sounds last week were designed to create a favorable atmosphere for the meeting on Jan. 7 and 8 in Geneva between Secretary of State George Shultz and Soviet Foreign Minister Andrei Gromyko, at which the two will try to set the agenda for a resumption of arms-control talks between the superpowers.

In Washington, McFarlane was presiding over an interagency group attempting to resolve conflicts, primarily between the State Department and the Pentagon, over just what the U.S. bargaining position should be. He insisted publicly that the principals, including the Joint Chiefs of Staff and the CIA, had reached agreement on about 85% of the U.S. position. But the disputed 15% appears to involve the core issues between doves and hawks that have hobbled the Administration's arms-control efforts for nearly four years. Said one official: "Frankly, the key elements—especially how we handle space weaponry—are yet to be resolved."

Reagan's Star Wars plan to provide a space-based defense against intercontinental ballistic missiles seemed to be emerging as one of the most contentious issues in both capitals. Chernenko mentioned "nonmilitarization of outer space" first in his list of topics to be negotiated, followed by a "reduction of strategic nuclear arms and medium-range nuclear weapons." (He invited Industrialist Armand Hammer, 86, a longtime friend of Soviet leaders, to Moscow as an unofficial pre-Geneva go-between, and Hammer readily accepted.)

While the Administration remained divided over Star Wars, four former U.S. officials assailed the idea in *Foreign Affairs*, the U.S. quarterly. The critics were former Defense Secretary Robert S. McNamara, onetime National Security Adviser McGeorge Bundy, ex-Arms Negotiator Gerard Smith and George F. Kennan, Ambassador to the Soviet Union in 1952. They argued that Star Wars does not "respect reality," chiefly because a leakproof defense is impossible and the attempt to create one could nullify Reagan's effort at reaching an agreement on arms control.

How the disagreement over Star Wars and other U.S. bargaining positions will be resolved is likely to remain a mystery until the players show their cards in Geneva. The Administration clamped a strict gag order, enforceable by criminal prosecution, on all participants in the internal arms-control dispute. ■

Accused Spy Karl Koecher, trailed by his wife Hana, is led away by FBI agents

Picking Up the Czech

The FBI charges that an ex-CIA translator spied on the U.S.

For someone in a hush-hush occupation, Karl Koecher never seemed very secretive about his work. He would tell acquaintances that he was a CIA employee. And indeed he was, from 1973 to 1977, in Washington and New York City. On a résumé that he assembled earlier this year when he ran for the management board of his ritzy Manhattan apartment building, Koecher described himself as "a consultant on national security matters." That was true too, after a fashion. According to federal authorities, Koecher did have one client, to whom he told everything he knew about U.S. national security: the Czechoslovak intelligence service. Koecher, 50, a naturalized U.S. citizen, was charged last week with spying for his native Czechoslovakia.

Koecher was arrested with his wife Hana, 40, who is also a Czech turned American, four hours before the couple were to board a flight bound for Zurich. Although federal prosecutors say that Hana worked between 1974 and 1983 as a transatlantic courier for Czechoslovak intelligence, she was taken into custody last week only as a witness to her husband's alleged crimes. She was not charged, a Justice Department official suggested, because the FBI bungled her arrest. If convicted, Karl Koecher could be sentenced to life in prison.

The Koechers, federal authorities say, were classic moles, emigrants who arrived from Czechoslovakia 19 years ago with the express purpose of infiltrating U.S. intelligence. Karl was allegedly recruited by the Czech agency in 1962, and trained as a spy for two years before being dispatched with his young wife to the U.S. They settled in New York, where Karl, who claims doctorates in physics and philosophy, taught at a local college.

In 1973, a full decade after he is said to have got his marching orders from Czechoslovak officials, Koecher managed to penetrate the CIA. He worked first as a translator for the agency in Washington for two years, then in New York until 1977. Meanwhile Hana took a sales job with a diamond firm. Karl eventually returned to teaching and, friends say, made a great show of his supposed anti-Communist fervor.

The criminal complaint against him cites one specific event: in the spring of 1975, Koecher stole and copied a four-page CIA document marked SECRET, wadded the copy inside an empty cigarette pack, then passed it to another Czech agent, possibly with Hana as the go-between. Among the documents Koecher allegedly pilfered and gave to the Czechs were lists of undercover CIA agents.

During a confrontation with FBI agents the day after Thanksgiving, according to the FBI affidavit, Koecher "voluntarily made and signed a written statement" admitting the theft and cigarette-pack transaction. Officials would not explain why he had confessed or why he was allowed to roam free for the five days before his arrest.

There are other intriguing questions about Koecher's behavior. He and Hana, who are childless, were planning a new life in Austria before Karl confessed. "We saw them at a farewell dinner in our home," says one friend. "There was no indication they were apprehensive." The day before the Koechers' arrest, they sold their cooperative apartment for more than a quarter of a million dollars. Did they believe the FBI would simply let them take the money and run? The Koechers, says their lawyer, were "doublecrossed" by the FBI. He would not elaborate. ■


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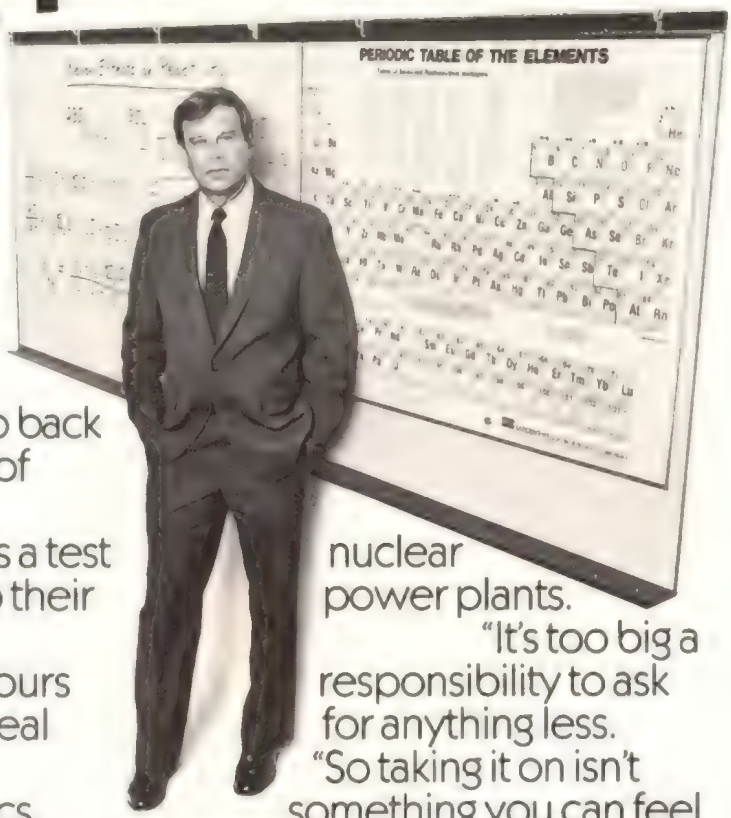

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Leaving a "Righted" Ship

Ruckelshaus quits EPA after a brief tour of duty

"What did he see or what did they tell him?" That question was posed by an official of the Environmental Protection Agency after the sudden resignation of EPA Administrator William Ruckelshaus last week following a meeting with White House aides. According to one line of speculation, Ruckelshaus had been told that the agency would be asked to accept a 30% budget cut, despite the President's pro-environment campaign pledges.

Nonsense, said Ruckelshaus, 52, who took over the scandal-ridden agency 18 months ago from Anne Burford after she was pressured into resigning. "The ship called EPA is righted and is now steering a steady course," wrote Ruckelshaus in his resignation letter to the President. In an interview with TIME, he added, "It's time to move on. Agencies need new blood from time to time." He said he had talked to White House aides and to Reagan about his desire to leave, and there had been no mention of sharp budget reductions at EPA. "I don't think they're going to cut much," Ruckelshaus said. "And if they do, Congress will restore it, and the President will sign it." Also departing was Alvin Alm, whom Ruckelshaus had recruited as his top deputy.

Successor Thomas

Environmentalists generally agreed that Ruckelshaus, who launched EPA as its first Administrator in 1970, had restored morale and raised the competency of the agency's top officials during his brief return. He fired all ten of the presidentially appointed bureaucrats and replaced them with able administrators. He took the task of cleaning up toxic-waste dumps away from officials friendly to polluters. Ruckelshaus ordered that nearly all of the lead in gasoline be phased out by 1986 and banned the use of the cancer-causing pesticide EDB.

Still, some environmentalists remained ambivalent about Ruckelshaus. "He was a very talented apologist for the President's horrible policies," contends Marion Edey, executive director of the League of Conservation Voters. "But," she concedes, "when he wasn't busy defending bad policies, he was working hard to improve them." Environmental groups complained that the toxic-waste program, while freed of favoritism, still moved much too slowly. Ruckelshaus urged action to reduce the impact of acid rain, but when he was overruled by the White House, he stoutly defended the Administration's decision merely to order more studies of the problem. Critics also note that Ruckelshaus opposed early renewal of the $1.6 billion waste-cleanup superfund. "He leaves almost nothing of permanence as a legacy," says Jonathan Lash, a spokesman for the Natural Resources Defense Council.

Moving quickly to prevent another sag in spirits at EPA, the President announced that Ruckelshaus would be replaced by Lee Thomas, 40, a blunt, hard-driving administrator. A former South Carolina public safety official, Thomas had been with the Federal Emergency Management Agency when it played a key role in the federal purchase of many homes in Times Beach, Mo., because of dioxin contamination in 1983. Ruckelshaus placed Thomas in charge of the U.S. toxic-waste program. Thomas is respected at EPA, but will have less clout than Ruckelshaus in urging the Administration to place a higher priority on environmental issues. —*By Ed Magnuson. Reported by Jay Branegan/Washington*

Boston Horror

Clean it up, a judge demands

After more than a year of pleas, threats, deadlines and back-room bargaining with the Massachusetts state legislature, Superior Court Judge Paul Garrity decided enough was enough. Last week the judge took drastic steps to force the legislature to clean up polluted, malodorous Boston Harbor or risk ending a $500 million-a-year building boom in the Boston metropolitan area. Garrity declared a moratorium on almost all new developments that would be connected to the ancient sewer system that serves Boston and 42 other cities and towns. The order covers all building applications dating back to June 13, 1983.

Garrity will also begin hearings this week to decide whether the sewer division should be turned over to a court-administered receiver. The judge will rescind his order only if the legislature passes a bill creating a water and waste authority to clean up the harbor before the end of the receivership hearings. Receivership is nothing new in Boston: Garrity placed the Boston housing authority into receivership five years ago because of mismanagement.

Garrity concedes that his harbor order was "draconian" but adds that it was also essential. Says he: "Because of human and toxic waste, the condition of the harbor is in violation of both state and federal law. It is unsafe, unsanitary and totally indecent. It is a condition profoundly inconsistent with the public interest." Massachusetts Attorney General Francis Bellotti plans to call for a stay of the order this week so its impact can be assessed.

The judge's decision was an official response to a two-year-old suit brought by the city of Quincy against the metropolitan district commission and the Boston water and sewage commission. During the past six years, 70 of the Environmental Protection Agency's 129 so-called priority pollutants have been detected in the harbor. In the first five months of 1983 alone, some 700 million gal. of raw sewage was dumped into the murky waters. The state senate and, particularly, the house have dragged their feet on measures to solve the crisis. After the legislature last week postponed consideration of a bill intended to create a newly independent, more effective sewer authority, Garrity decided to raise the political ante with his sweeping decision.

For legislators, the clean-up of Boston Harbor will be a major task, costing as much as $2 billion and taking five years to complete. But the building ban imperils some $2.3 billion in new construction in the city of Boston alone. "If the legislature doesn't act, there will be an awful lot of activity in the courts," says James Sullivan, president of the Greater Boston Chamber of Commerce. "The economy of the entire Greater Boston area could be on the line." ■

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American Notes

PROTEST

Marching Against Apartheid

It could have been a scene from the civil rights movement of the 1960s: a large crowd of demonstrators, most of them black, marching in peaceful protest down an avenue in Washington, chanting slogans and carrying signs. But the series of rallies that have been taking place on Embassy Row during the past two weeks are against racism in another country: the apartheid government of South Africa. Demonstrators, including such prominent black Americans as Coretta Scott King, Arthur Ashe and Harry Belafonte, called for the release of 13 black labor leaders who were recently arrested and imprisoned without charges in South Africa. By week's end 15 protesters had been arrested for entering and then refusing to leave the South African embassy or for crossing police lines. Congressmen Ronald Dellums of California and John Conyers of Michigan were among those who spent a night in a district jail.

Dellums is arrested

Demonstrations are expected to be expanded this week to 13 other U.S. cities where South Africa has consulates or business offices. David Scott, an official of TransAfrica, the group that orchestrated the protest, said that the goal of the demonstrations "is to get the Reagan Administration to change its accommodationist policy toward South Africa."

MILITARY AID

Trying to Hide $250 Million

Covert operations go better when they remain covert. Yet U.S. funding and CIA direction of the *contras* fighting the Sandinista government in Nicaragua have long been among Washington's most openly debated topics. It has been no secret either that the CIA has been funneling arms and supplies to the fighters in Afghanistan who have been battling the five-year-old Soviet occupation. The clandestine supply route through Pakistan has been widely reported. The U.S. Senate even voted unanimously last Oct. 3 to approve a resolution declaring that "it would be indefensible to provide the freedom fighters with only enough aid to fight and die, but not enough to advance their cause of freedom."

Still, the actual amount of the clandestine funds was not meant to be made public. Last week, however, the New York *Times* reported that Congress had approved the spending of $280 million to help the Afghan insurgents in the current fiscal year and that this was more than twice what was spent a year earlier. An intelligence source told TIME that the more precise level is $250 million. This is more than ten times the $24 million spent last year on the Nicaragua operation.

CRIME

Kidnaping of a Moonie

For the past 20 years, Bo Hi Pak, a onetime South Korean army officer, has been the trusted adviser of the Rev. Sun Myung Moon, spiritual leader and founder of the Unification Church. One evening last September, Pak, who has been acting as leader of the church while Moon serves an 18-month sentence in federal prison for tax evasion, was abducted outside a Manhattan hotel. Blindfolded and handcuffed, Pak was driven 80 miles to a house in Slate Hill, N.Y., where his kidnapers tortured him with electric shocks. Two days later, Pak's abductors ordered him to fly to Washington and transfer $500,000 in church funds to a numbered bank account in Switzerland. They threatened to harm Pak's wife and six children, who live in suburban Virginia, if the ransom was not paid.

Bo Hi Pak

The FBI, notified by church officials of Pak's disappearance, contacted him in Washington. Pak revealed the kidnap plot to the FBI and canceled the wire transfer of the ransom money. Through his identification of the kidnapers, two of whom he knew personally, investigators tracked down and arrested six men. They included Unification Church Associates Sang Whi Nam and Yung Soo Suh. An attorney for Nam said that the abduction arose out of an internal church dispute and was an attempt to change Unification Church policy. Joy Garrett, a church spokeswoman, said that Nam's claim was "absolutely false," adding, "As far as we are concerned, this is not a church matter."

DIPLOMACY

Tying the Knot with Iraq

It was something of a historic moment last week when the red, white and black flag of Iraq was raised on P Street in Washington. An Iraqi-owned building, used for unofficial diplomatic and commercial tasks, was converted into a full-fledged embassy as the U.S. resumed formal relations with the Arab country after a 17-year estrangement. To mark the event, President Reagan and Iraq's Deputy Prime Minister Tariq Aziz met at the White House. Iraq broke its ties with the U.S. in 1967 in protest of U.S. support for Israel in the Six-Day War with Arab nations. For the past two years Iraq has reduced its support for international terrorism, tempered its opposition to Israel, and tried to balance its longstanding military and political connection to the Soviet Union with overtures toward the U.S.

American officials stress there will be no military sales to Iraq, and the U.S. policy of neutrality in the four-year-old Iraq-Iran war will not change. Said a senior Administration official: "We are prepared to discuss improved relations with Iran when it ceases its support for international terrorism and when it is prepared to seek a negotiated settlement of its war with Iraq."

TRANSPORTATION

Praising the Speed Limit

MICHAEL DRESSLER

Effective sign

After ten years, the 55 m.p.h. speed limit qualifies as a success. "One of the most effective highway safety policies ever adopted," says a report by a National Research Council committee. The study, released last week, declares that last year the speed limit saved 2,000 to 4,000 lives, 167,000 bbl. of oil per day and $65 million of taxpayers' funds for welfare and medical costs to accident victims and their families.

Opponents of the law have argued that it is unnecessary on uncrowded interstate highways outside urbanized areas. But the study contends that if the limit on those highways is raised to 60 m.p.h. or 65 m.p.h., an additional 500 people a year will be killed, 10 million additional bbl. of oil consumed and taxpayers' costs raised by $10 million. The council committee advises an offsetting safety improvement for any waiver of the 55 m.p.h. limit: "For example, a state might be permitted to increase the speed limit on its rural interstate routes if it enacted a mandatory safety belt–use law."

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CENTRAL AMERICA

Trouble with the Law

Nicaragua wins a propaganda victory over the U.S. in the World Court

As fighting between the Sandinista government and the U.S.-inspired *contra* guerrillas sputters along Nicaragua's northern border, skirmishes between Washington and Managua continue to rage on broader battlefields: in newspapers, at fund-raising offices, in college classrooms and along the corridors of Congress. Through legal challenges, diplomatic maneuvers and public relations jabs, Nicaragua's Marxist-led government and the Reagan Administration have been fighting for the hearts and minds of the international diplomatic community. In this not-at-all-secret war of words, the U.S. last week suffered an embarrassing setback. The 16 judges of the World Court, in a series of firm decisions delivered from their imposing headquarters in The Hague, acknowledged Nicaragua's right to bring suit against the U.S. for its support of the *contras* and to seek damages for the guerrillas' activities. The case will still have to be argued, but the court's decision to grant the Sandinistas a hearing ended what some U.S. officials considered to be Washington's last real hope of extricating itself from a potentially damaging public relations morass.

The dispute arose when the U.S.-backed rebels claimed responsibility for mining Nicaragua's harbors last February and March (the mining stopped by April). The Sandinistas lost no time in going before the United Nations Security Council in New York City, introducing a resolution that called for the immediate end to the mining of Nicaraguan ports. The U.S. used its Security Council veto to block the resolution. The Nicaraguans then decided to take their complaint to the World Court, the judicial arm of the U.N. and the highest forum for resolving disputes between nations. When the U.S. learned of Nicaragua's intention, it launched an ill-conceived pre-emptive strike: just three days before Nicaragua filed suit, the U.S. asserted that it would not accept the "compulsory jurisdiction" of the court over any Central American matters for the next two years. Last week the court overwhelmingly rejected Washington's argument that it had no jurisdiction.

The rulings involved nothing more than the court's right to decide the U.S.-Nicaraguan dispute; the central issue itself is not likely to be resolved any time soon. The Nicaraguans say that their documentation will be ready in three months. At that point, the U.S. has the right, as in any other lawsuit, to respond. But the procedure is an extremely protracted one. First there must be an exchange of written arguments, and then a series of hearings. The final verdict is not expected before the end of 1985. Moreover, the World Court has no power to enforce its rulings.

Focus of the case: *contras* on Nicaraguan border

Facing a dilemma over whether to ignore the verdict.

But last week's decision was nonetheless a clear rebuke to the U.S., a longtime champion of the rule of law, by a court not widely viewed as partisan. Respected jurists from such U.S. allies as Britain, France, West Germany, Italy and Japan found in favor of Nicaragua. The sole dissenting voice on the crucial issue of Nicaragua's standing in the court came from the only American member of the panel, Reagan-appointed Judge Stephen Schwebel.

Having claimed only months ago that they had "an open-and-shut case," State Department lawyers were understandably disappointed by the ruling. They said, however, that the decision marked a setback of tactics rather than strategy in U.S. policy toward Nicaragua and that they saw no need to amend that policy. They also reasserted that the court should never have been asked to settle what is essentially a political dispute. Said State Department Spokesman Alan Romberg: "We continue to believe that the court is not the proper forum, either as a matter of law or for helping to achieve a peaceful resolution of the conflict in the region." Privately, however, U.S. officials conceded that instead of challenging the court's jurisdiction, they should simply have refused to contest the case.

For their part, the Sandinistas sounded a note of jubilant righteousness. "Today is a historic day, a day of triumph for the cause of peace, a day of hope for humanity," Foreign Minister Miguel d'Escoto Brockmann said in Managua. "If [the U.S. has] any quarrel with us, any justification for their illegal and murderous activities, let them bring it to court. Why are they afraid?" Said Paul Reichler, an American attorney who helped represent the Sandinistas in The Hague: "The Reagan Administration has to decide whether the U.S. is for or against international law."

The choice is hardly that simple, but the Administration does face an unpleasant dilemma. If the U.S. decides to defend itself against Nicaragua's charges once arguments begin, it stands a good chance of losing the case, and thus having its efforts to end Nicaraguan subversion in Central America condemned as lawless. Even U.S. State Department officials acknowledge that the unfortunate decision to declare the U.S. exempt from the court's jurisdiction was made after profiles of the 15 elected judges and their views were compiled; they led to the conclusion that the U.S. had little hope of victory.

Some Washington officials believe that the U.S. can win the case only by releasing classified intelligence information

Members of the court in an earlier session in The Hague to consider whether they have jurisdiction in the dispute

about Nicaraguan support for leftist guerrillas in El Salvador. Yet such a disclosure could hamper future U.S. intelligence gathering throughout Central America. "If we accept the court's jurisdiction," said a State Department official, "our line of defense will be to take the offensive. We will show that Nicaragua has been aiding and abetting subversion and terror in neighboring countries. Under international law, we have the right to help them undertake offensive action in pursuit of a defensive policy. The problem is proof. Do we surrender our intelligence information? Suppose our proof is a wiretap in the *comandantes'* headquarters in Managua. First of all, you would not divulge such a source, and second, if you did, the *comandantes* would deny the validity of the transcript." Third, he might have added, even those costly disclosures would be no guarantee of victory before the judges.

The other U.S. alternative is to refuse to fight the case and, if Nicaragua wins, simply to ignore the decision. That might lead to an even greater loss of face among the community of nations. Nonetheless, the move would by no means be unprecedented. Over the past 15 years, several nations, including such upstanding international citizens as Iceland, India and France, have refused to submit to the panel's rulings. Yet the most recent example of defiance occurred when Iran ignored a 1980 judgment from the court to pay reparations for seizing the U.S. embassy in Tehran. The U.S. is clearly not eager to follow the Iranian example.

As one of the court's founders and firmest supporters, Washington would also lose much international credibility by withdrawing in the face of defeat. "You cannot be one of the major law-keeping forces in the world and then boycott the first major law court in the world," said Christopher Mitchell-Heggs, a Paris-based international lawyer. "When Iran ignored the jurisdiction, it successfully put itself out of bounds as an international partner. Nobody would treat it seriously, and all its major international agreements lapsed." At the same time, it is not unusual for a government to settle such disputes out of court. Over the coming months, pressure on Washington to step up negotiations with Nicaragua seems certain to increase.

Washington's difficult position underlined the World Court's limitations. Known officially as the International Court of Justice, the panel was founded in 1945 to deal with disputes between nations and to advise the U.N. on matters of international law. The judges, each from a different country, are paid $82,000 a year and serve nine-year terms. In practice, however, the court is one of the least productive legal institutions around: in nearly four decades of existence it has reviewed only 49 cases, most of them involving minor issues like boundary disputes and fishing rights. Of the 159 member nations of the U.N., only 47 have accepted the court's compulsory jurisdiction. All but seven of them have provisions in their declarations of support for the court that allow them to ignore the body if it suits them. The U.S., for instance, acknowledges the court's compulsory jurisdiction except in cases that Washington considers to involve "domestic issues."

As the U.S. and Nicaragua respectively assailed and praised the court's decision last week, both countries continued to accuse each other of preparing for outright warfare. The U.S. claimed that it had sighted six Soviet ships laden with arms and bound for Nicaragua. Perhaps chastened by mistaken allegations last month that Soviet MiG-21 fighter planes were being unloaded in the Nicaraguan port of Corinto, the Administration did not commit itself to specifying what arms the ships were carrying. But President Reagan warned again last week that if sophisticated Soviet aircraft are sent to Central America, "this is something we cannot sit back and just take."

Foreign Minister Miguel d'Escoto Brockmann
"A day of triumph for the cause of peace."

Meanwhile, the Sandinistas' own recent flurry of false alarms about an imminent U.S. invasion was, in a sense, silenced by the World Court. Said one West European observer: "The mood in Managua suddenly switched from one of contrived invasion hysteria that most of the populace chose to ignore to one of quietly triumphant legality."

The ruling from The Hague was the second propaganda setback for the U.S. in its dealings with Nicaragua since September, when the Sandinistas caught Washington off balance by abruptly accepting "in its totality and without modification" the draft of a regional nonaggression treaty. The proposed agreement had been produced by the so-called Contadora countries—Colombia, Panama, Mexico and Venezuela—and the U.S. had supported their deliberations. But Washington still has misgivings about the draft accord, namely about the lack of adequate verification and control mechanisms to ensure Nicaraguan compliance. On the other side of the propaganda ledger, the Sandinistas' well-publicized elections last month impressed few foreign nations as a genuine return to democracy; many opposition groups boycotted the vote, and others complained that they were not allowed to campaign freely.

In a tightening of domestic restrictions, Nicaragua in recent weeks has denied at least 27 prominent opposition figures permission to travel outside the country. In addition, a much touted "national dialogue," in which political parties, church authorities and social groups were to join in thrashing out the nation's problems, began to fall apart when some members of the main opposition group withdrew, charging that the display of pluralism was an empty gesture. "The dialogue is the difference between war and peace," said an opposition member. "Nobody wants to say he's chosen war, but it certainly looks like an impasse." Much the same could be said for the larger struggle between the U.S. and Nicaragua on the wider battlefield of world opinion. —*By Pico Iyer. Reported by Tala Skari/Paris and William Stewart/Washington*

A Red Cross doctor attends to a starving child at a relief camp in Wollo province

ETHIOPIA

Bare Cupboard

A flood of aid is blocked

Amid the squalor of Ethiopia's rapidly filling refugee camps, little help appeared to be in sight last week. As of Thursday, the country had only 8,000 metric tons of grain left, and storehouses in Addis Ababa, Kembolcha and Nazaret were virtually empty. Said Taffari Wossen, chief spokesman for Ethiopia's Relief and Rehabilitation Committee: "We are getting more sympathy than assistance. In terms of actual need, we are still very far from our targets." Warned a Western relief official: "The cupboard is bare."

That will come as a surprise to many in the West, whose donations to Ethiopia's famine victims continue unabated. In the U.S., relief agencies have seldom, if ever, been busier. Oxfam America is receiving contributions at its Boston headquarters at the rate of about $1 million a month, and World Vision in California has raised $2.5 million in the past six weeks, including one check for $250,000. Canada announced a further government contribution of $5.6 million. The European Economic Community will send 55,000 metric tons of grain this month.

The disparity between the West's largesse and the continuing food shortages is the result both of the long delivery time of grain shipped by sea and of Ethiopia's political divisions. The Eritrean Relief Association, an organization associated with separatist rebels in the country's northern province, has reportedly accused Ethiopia's Communist government of interfering with efforts to supply food to the region. In Tigre province, another rebel faction has been accused of preventing hungry people from going to government relief centers in the south.

Relief agencies tried to rush food to the starving country by diverting grain shipments from other destinations. The World Food Program rerouted a freighter carrying 28,000 metric tons of grain to an Ethiopian port. Even so, the ship will not arrive until Dec. 12. Another vessel, carrying 10,000 metric tons of U.S. Government-donated grain to India, changed course and headed for the beleaguered country. In all, 80,000 metric tons of food were bound for Ethiopia last week. Yet even that was far from adequate. The Ethiopian government estimates that 1.2 million metric tons of grain will be needed during the next year. Pledged shipments so far total less than one-third of that amount. Said Taffari: "I regret to say that though we are very grateful for all the international sympathy, it is now the turn of foreign governments to implement the sympathy of their citizens. The little people have given all they can."

The Reagan Administration has promised 195,000 metric tons of food to Ethiopia, but not all of it has been shipped. In contrast, the Soviet Union has given the country little more than 300 trucks, 24 helicopters and 12 planes to deliver the West's food and supplies. The Soviets have donated only 20,000 metric tons of rice. Says a British official: "They came in late and probably decided it wasn't worth their while to catch up."

The extent of the famine was brought home last week to Texas Democratic Congressman Mickey Leland, Chairman of the House Select Committee on Hunger. After completing a five-day visit to two Ethiopian relief stations, Mekele and Korem, he described the experience with a quavering voice: "It was incredible to me. The suffering of those little children in the hospital in Mekele—never have I seen anything so horrifying." —*By Jamie Murphy. Reported by James Wilde/Nairobi*

POLAND

Curtain Up

Jaruzelski meets the press

For the first time since the imposition of martial law in December 1981, General Wojciech Jaruzelski last week took his case directly to the world press. The government invited 122 editors, columnists and reporters from 26 nations who were in Warsaw attending an international conference of East bloc and Western journalists for an unusual evening question-and-answer session. Among the participants at the three-day meeting was TIME *Associate Editor John Kohan, who filed this report.*

"I appeal to you to try to understand us," said General Jaruzelski, looking down the rows of journalists assembled in the columned hall of Warsaw's Palace of the Council of Ministers. "Poland never was, is not and never will be an outcast of the international community."

A week earlier, the Polish leader's efforts to thaw relations with the West had suffered a serious setback. West German Foreign Minister Hans-Dietrich Genscher had postponed a visit to Warsaw, largely because Polish officials told him it would be inappropriate to visit the grave of Father Jerzy Popieluszko, an outspoken supporter of the banned Solidarity trade union who was abducted and killed in October. The Jaruzelski government has been hurt by revelations that at least four secret-police officers were involved in the murder. The "Jablonna V" International Meeting of Journalists provided a timely opportunity for Jaruzelski to revive his efforts to end Poland's isolation. He assured his listeners that he wanted "to work with the curtain up."

Dressed in a dark tan uniform, Jaruzelski remained cool and confident throughout the nearly three-hour encounter with the press. At times he even displayed a wry sense of humor. President Reagan, the Polish leader said, deserved "a medal of achievement" from COMECON, the Soviet-led trading community, because Reagan's policy of sanctions against Poland had resulted in greater economic cooperation among Moscow's allies. Jaruzelski made it clear that he was not about to bend to pressure from Washington. Said

Jaruzelski: "We have nothing to hide"

Looking for a way out of isolation.

he: "Reckoning that we will pay with concessions for favors is not realistic."

Switching to domestic issues, Jaruzelski maintained that Poland had made "a giant step forward," considering the "catastrophic" situation that the country had faced only three years ago. The Polish Premier once again ruled out talks with the opposition but made no direct mention of Solidarity or former Union Leader Lech Walesa. Still, the general admitted that if he could do everything over again, "tactically, many decisions could have been carried out with greater accuracy." Said Jaruzelski: "There has never been a case where the forces leading a country have engaged in such profound self-criticism."

Jaruzelski's low-pitched voice betrayed a note of emotion when he discussed the Popieluszko case and Western charges that he had been involved in the murder. "No one is more interested than we are that no unclear elements remain in this case. Such doubts do harm to the Polish authorities," he said. The leader declared that the "hideous crime" had been investigated with "energy and firmness" and that the investigation had already "dug deeply into the internal-affairs apparatus and uncovered a rotten cell."

Jerzy Urban, the government's press spokesman, gave a few new details of the Popieluszko autopsy report last week. He said that the priest died from strangulation rather than from any injuries he sustained in a beating and was dead when his body was tossed into a reservoir 90 miles northwest of Warsaw. Earlier reports had said that Popieluszko might still have been alive when he was thrown into the water. Urban also confirmed that the four police officers arrested in the case will go on trial soon and that the proceedings will be open to the foreign press. At week's end, however, events took an unsettling turn when two senior police officials involved in the Popieluszko investigation were killed along with their driver in a head-on collision with a truck about 40 miles south of Warsaw.

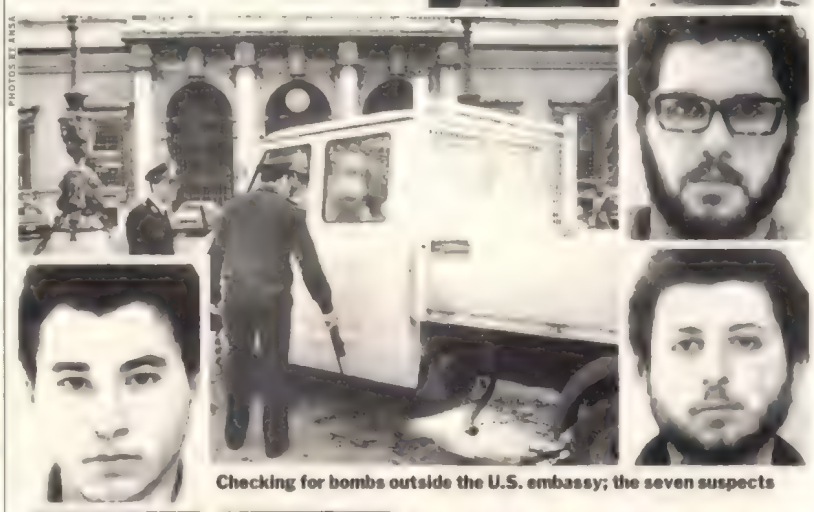
In the month since Popieluszko was buried, his tomb in the graveyard of Warsaw's St. Stanislaw Kostka church has been turned into a makeshift shrine, decked with wreaths and Solidarity banners. Early last week more than 30,000 Poles jammed streets surrounding the church to hear the monthly "Mass for the Fatherland" that Popieluszko began shortly before the imposition of martial law. The parish priest at St. Stanislaw Kostka, Father Teofil Bogucki, delivered a tough homily charging that 40 years after the imposition of Communism in Poland, "society is paralyzed with terror and people are worn out by hopelessness." As the subdued crowd joined in reciting prayers and singing patriotic hymns, two youths climbed the church's iron fence to put up a new banner. The message: O LORD, FORGIVE THEM. But as Jaruzelski knows, it will take more than sincere words to make national reconciliation a reality in Poland. ■

ITALY

Disaster Averted

Police foil a terrorist plot

Were it not for the impressive efforts of Swiss and Italian antiterrorist squads last week, the marble and granite U.S. embassy on Rome's Via Veneto could have shared the fate of the American embassy in Beirut last September. The police teams uncovered a cell of Islamic extremists who seemed to be on the verge of executing yet another bomb attack on a symbol of U.S. authority. The plot may have been the one brazenly promised by the shadowy Islamic Jihad group two days before the U.S. presidential election, when the terrorists promised to mount a violent operation that would "surprise" the Americans.



PHOTOS BY ANSA

Checking for bombs outside the U.S. embassy; the seven suspects

The counterterrorist operation began when Swiss police stopped Hussein Hanih Atat, 21, a Lebanese national, at Zurich International Airport as he was making a connection from Beirut to Rome. Officials found several explosive arming devices in his suitcase. Atat was also carrying 5 lbs. of highly volatile plastic material in a cloth belt under his shirt. An accomplice escaped detection and took a taxi to Zurich's railway station, where police later found a suitcase containing another 5 lbs. of explosives. The accomplice is thought to have made his way to Rome.

The Swiss alerted the Italian secret service, which immediately swung into action. In a predawn raid, agents broke into two apartments in the seaside resort of Ladispoli, 24 miles northwest of Rome. There they rounded up seven young Lebanese, all students at the University of Rome. In the apartments the Italian agents found volumes of propaganda for Islamic Jihad, the outfit that claimed responsibility for the Beirut embassy bombing, as well as last year's suicide attack on the U.S. Marine compound in Beirut in which 241 American servicemen died. The agents also discovered a suspiciously accurate plan of the Rome embassy, indicating all surveillance points and noting the frequency with which Marine guard shifts were changed. To prevent them from communicating with anyone else who may have been involved in the plot, the police took the Lebanese to an army compound near Rome.

Although the students have refused to talk, the Italians believe the terrorist cell was organizing a suicide bomb attack, perhaps directed at a garage located below the quarters that house many of the Marine guards. The police assume that since it would take at least 200 lbs. of plastic explosives to blow up a building the size of the embassy, the gang was still in the process of building up its cache. In fact, according to the police, the gang may have been planning the attack for at least a year.

U.S. officials found out about the plot only after the Ladispoli roundup. In gratitude for the deft police work, Ambassador Maxwell Rabb paid a 40-minute call on Rome's chief of police, Marcello Monarca. Said Rabb: "Your country has again demonstrated that it is in the vanguard of the fight against subversive and terrorist elements that stain the world with blood." ■

COLOMBIA

Drug Bang

A bombing with a difference

Squat, gray and fortress-like, the twelve-year-old U.S. embassy in Bogotá is designed to withstand the most withering of terrorist bomb attacks. The building was put to the test last week: a white Fiat, packed with 33 lbs. of dynamite, exploded just outside the employee parking lot. The blast killed a Colombian woman standing near by, knocked down several 50-year-old eucalyptus trees and blew out windows in a 15-story office building a block away. But it did not crack a single pane of the shatterproof glass in the embassy or injure any of the 309 people inside. Said an embassy employee: "They'd have had to hit us with an atom bomb to shake this place."

Colombian woman killed in the blast

"We have the narcotics crowd on the run."

That sort of security is useful nowadays in Bogotá. U.S. and Colombian authorities believe the bombing was the work not of leftist, anti-U.S. terrorists, but of a powerful Colombian drug mafia intent on discouraging recent efforts by the two governments to curb the country's multibillion-dollar cocaine and marijuana industry. In response to a U.S.-Colombian move to extradite 78 Colombian dealers to face charges in the U.S., unnamed drug barons three weeks ago threatened to kill five Americans for every Colombian extradited. Colombian police believe that the prime target of last week's attack was U.S. Ambassador Lewis Tambs, who is in the habit of leaving the embassy each day at about the time the bomb exploded. Six months earlier, a car laden with explosives blew up prematurely outside his official residence.

"Nobody is going to run me out of this town," Tambs vowed. "I'm staying to continue the fight together with the Colombian government to get rid of the dope business." Nonetheless, State Department Spokesman Alan Romberg announced that the U.S. would temporarily be "reducing our official profile in Colombia." At least a dozen of the embassy's 187 U.S. employees left the country last week with their families. Americans are not the only ones at risk. Says Tambs: "I have information that all the Colombian Cabinet ministers and the President himself have received death threats ever since they launched their antinarcotics offensive."

The U.S.-Colombian drug crackdown began to pick up speed last April, when Justice Minister Rodrigo Lara Bonilla was murdered in retaliation for his strenuous antidrug efforts. The assassination, the first ever of a Cabinet-level official in Colombia's history, shocked the nation and persuaded President Belisario Betancur Cuartas to abandon his reluctance to enforce an existing extradition treaty with the U.S. Since then, 78 alleged drug traffickers have been requested by the U.S., and Betancur has signed extradition papers for six of them. According to the treaty, however, the Colombians must first face charges and serve sentences in their own country before they can be extradited.

Meanwhile, Colombia confiscated 33.5 tons of cocaine in the first eight months of this year, an amount worth $7 billion at the retail level and representing nearly a third of estimated U.S. consumption of the drug. Authorities have also burned 1,953 tons of marijuana, arrested 2,648 presumed drug traffickers, closed down 147 cocaine laboratories and grounded 173 planes used to carry drugs. Says General Victor Delgado Mallarino, director of the national police, with perhaps excessive optimism: "We have the narcotics crowd on the run now, especially the big bosses." ■

EL SALVADOR

Second Round

Peace talks in a lower key

When government and rebel representatives convened for peace talks in El Salvador's provincial town of La Palma six weeks ago, the mood was festive as thousands of expectant Salvadorans celebrated under the protection of smiling Boy Scouts. But the first meeting produced mainly promises to meet again, so when the two sides resumed their discussion last week in the village of Ayagualo, twelve miles from San Salvador, the atmosphere was tentative and tense. And when the two parties came down from their hilltop retreat after more than twelve hours of talks, they seemed no closer to peace than before. In a brief statement summarizing the day's progress, San Salvador Archbishop Arturo Rivera y Damas, one of two intermediaries, reported that the two sides had agreed on "a period of tranquillity on the nation's highways between Dec. 22 and Jan. 3." But Rivera y Damas said nothing of any larger agreements or a full Christmas truce and only made a general reference to holding future talks.

The distance between the two parties was underlined at the meeting's end as each summed up the discussions. "The road to peace isn't an easy one," said Julio Adolfo Rey Prendes, the government representative (President José Napoleón Duarte did not attend). Then, as the government side sped away, Rubén Zamora, the best-known member of the rebel delegation, climbed the steps to the microphones with three colleagues. Said Facundo Guardado, a senior guerrilla commander: "There is an oligarchical power that shares and applies the policies of the Reagan Administration, a power that is imposing itself against the will of the people."

Rebel Leader Zamora on eve of meeting

A holiday quiet on the highways.

Later, government representatives, joined by President Duarte, appeared on television to discuss the day's events. The rebels, they said, had called for a three-stage plan that involved reforming the constitution, holding new general elections and reorganizing the armed forces. Duarte rejected the proposal as unworkable under El Salvador's constitution.

Duarte did, however, make a small but significant gesture of reconciliation last week when he ordered Rodolfo Isidro López Sibrián, an army officer accused of organizing the 1981 killings of two U.S. land-reform advisers, to be discharged from the army without pension. Duarte's move came only a week after the Salvadoran Supreme Court threw out the case against the former lieutenant. Nonetheless, the President charged that the rebel plan would not lessen the toll of war. Said he: "The rebels do not want to humanize the conflict because they say it is their strategy to prolong a war to destroy the country. They do not want a truce." ■

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URUGUAY

Free Again

Rejoining the democratic club

Broad-shouldered, bushy-eyebrowed Julio María Sanguinetti, 48, bounded to the platform in the cavernous assembly hall of Montevideo's Colorado Party headquarters and gave a cheering crowd of election-night supporters the good news. "The verdict of the polls indicates we are the majority," he said. "We will not be an arrogant majority. We will have republican humility." With that pledge, President-elect Sanguinetti marked Uruguay's return to civilian government after eleven years of military rule.

Uruguay thus became the latest country in Latin America to replace dictatorship with democracy over the past few years. Others include Argentina, Bolivia, Ecuador, El Salvador, Honduras, Panama and Peru. Brazil and Guatemala might join the democratic club next year. In Washington, where Sanguinetti is viewed as a moderate who favors close ties with the U.S., a State Department spokesman praised "the manner in which the elections were conducted."

Uruguay's long democratic tradition was interrupted when a 24-member military junta seized power in 1973 from an ineffectual civilian government. The regime subsequently made a major miscalculation. Confident that Uruguay's 3 million people endorsed their stable but repressive rule, the generals held a referendum four years ago on measures that would have kept them in power. Instead, the proposals were overwhelmingly rejected, and the military eventually agreed to schedule last week's elections—subject to certain conditions. Two leading politicians were barred from running. One was Wilson Ferreira Aldunate, 66, leader of the Blanco Party, a traditionally center-right organization that has been moving leftward; jailed upon returning last June from eleven years of exile, he was freed after last week's election. The other was Líber Seregni, 67, a former army general who heads the *Frente Amplio* (Broad Front), a coalition of five leftist parties. When the votes were tallied, the Colorados had won a 40% plurality, compared with 34% for the Blancos and 21% for the *Frente Amplio*. The rest went to a small conservative group.

President-elect Julio María Sanguinetti

"The only way is to act maturely."

Sanguinetti, a lawyer, journalist and former Cabinet minister, settled an argument in 1970 with a fellow Colorado Party member by drawing first blood in a saber duel (legal in Uruguay under a 1920 law). He vowed last week as President to take a more conciliatory approach to Uruguay's problems. Said he: "Nobody has a mathematical method to prevent a new coup. The only way is to act maturely."

There is no evidence, however, that the generals are eager to return. "They feel that they have fulfilled their duty and are going out the front door, the job faithfully completed," said a diplomat in Montevideo. That may be, but they are leaving behind some formidable challenges, including a 45% inflation rate, a 15% unemployment level, $5.2 billion in foreign debt, and a police and military establishment so bloated that one of every 43 Uruguayans is in uniform. Nonetheless, Sanguinetti is determined to prove that democracy can work. Said the President-elect, who will take office in March: "We hope these eleven years were nothing more than an accident." ■

CHILE

Show of Force

Pinochet quashes a protest

Not in almost a decade had residents of Santiago seen anything like the show of government firepower mounted throughout their city last week. At dawn, long lines of green-and-brown troop-transport trucks began rolling along the Chilean capital's suburban avenues. Soldiers took up positions at traffic circles, machine guns at the ready. Armored cars growled to a halt at the edge of the slum areas in the southern part of the city. Along the dusty streets that honeycomb the shantytowns, rifle-toting soldiers were stationed every 100 yards. Meanwhile, helicopters clattered noisily overhead.

Thus did the regime of Augusto Pinochet Ugarte prepare for a planned two-day protest against the Chilean President's rule, which was toughened by a state of siege declared on Nov. 6. The display of weaponry exceeded the response to previous street demonstrations, which have cost the lives of at least 110 civilians in the past 18 months. Last week's show of muscle was preceded by a campaign of intimidation at nearly every civilian level. Police made scores of arrests of leftist political and labor leaders. A government spokesman informed foreign newsmen that their credentials had been canceled and that they would have to apply for new ones.

Army troops stand guard in Santiago

The scare tactics proved effective.

On the whole, the scare tactics proved highly effective. Most shops and schools in the capital's restive slums remained open, a change from previous protest demonstrations. University students held anti-Pinochet demonstrations on several campuses, but the crowds were small by past standards. Several leaders of the five-party *Alianza Democratica*, the main opposition group, did not endorse the protest for fear of running afoul of the siege order's ban on public gatherings; nonetheless, about ten *Alianza* leaders lined up in front of Santiago's cathedral and sang the national anthem. As they dispersed, a water cannon lumbered into view and began spraying. "The government can claim a 'military success,'" said *Alianza* President Ricardo Lagos, a socialist. "But the fact is that the army had to act as an enemy occupying a foreign country."

During the protest, police arrested about 160 people, including two Roman Catholic priests and a deacon. The clerics spent a night in jail before being released in response to pleas from Santiago Archbishop Juan Francisco Fresno Larraín. A British subject who worked as the United Press International correspondent in Santiago, Anthony Boadle, was summarily deported for filing a report that three deaths had occurred during rioting (in fact, none had). Pinochet, who has refused widespread demands that he relinquish power to a democratically elected government, spent the protest days away from the capital, touring the desert country in the north. Speaking to a crowd in Iquique, he said, "You have the fortune to live in an atmosphere of tranquillity, far from where politicking is centered and all that it signifies—insults, lies, violence, ambitions and egoisms." And, he might have added, a growing need to keep those inconveniences under control by pointing guns. ■

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—*Car and Driver*

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BUCKLE UP FOR SAFETY.

World Notes

SYRIA

Return of the First Brother


Rifaat Assad

The head-table occupant who attracted the most attention at a state banquet in Damascus last week was neither the guest of honor, French President François Mitterrand, nor the host, Syrian President Hafez Assad. Instead, it was Assad's younger brother Rifaat, 47, one of Syria's three Vice Presidents, making his first appearance after returning from a mysterious six-month exile in Switzerland and France. Rifaat's sudden re-emergence seemed to indicate that he might soon resume his public duties, which include overseeing Syria's state security apparatus, and that he might attain heightened status as his brother's likely successor.

Diplomatic observers believe that Rifaat negotiated his return during a secret visit to Damascus in October and in talks with presidential envoys subsequently sent to Europe. Among his intentions is to regain command of Syria's elite Defense Companies, a position he lost earlier this year, in part because of his rash use of the unit during a three-way power struggle. Hafez Assad, 54, was then recuperating from a heart attack. By all appearances in recent months, the President's recovery has been complete.

MIDDLE EAST

The Survivor's Stratagem


Arafat addressing Amman meeting

By persuading a majority of the Palestine National Council (P.N.C.), a parliament-in-exile for the Palestinian movement, to hold its annual meeting in the Jordanian capital of Amman last week, Yasser Arafat once again demonstrated his talents as a survivor. Syria and some of the dissident Palestinian factions it supports had tried to block the meeting, fearing that it would reaffirm Arafat's waning control after almost 16 years as leader of the Palestine Liberation Organization. Their fears were justified. In what has become something of a yearly ritual, Arafat tendered his resignation as chairman, only to reclaim the title the following day at the insistence of loudly cheering throngs. Said he: "I'll remain because I am needed."

The P.N.C. also voted to support a call by Jordan's King Hussein at the meeting for an overall Middle East peace conference. But the group reiterated their rejection of United Nations Resolution 242, which the King had suggested as the basis for such a conference. Passed in the wake of the Six-Day War of 1967, the resolution calls on Israel to return occupied Arab territories in exchange for recognition of its right to exist.

CHINA

A Chop for the Lunch Break

Article 43 of the Chinese constitution declares that every worker has the right to rest. The only problem is that Article 43 neglects to state exactly when the rest can be taken. Interpreting the law themselves, government workers in Peking have traditionally assumed their right to *xiuxi* (rest) by taking a two-hour midday break. Everything from computers to car engines, it seems, are switched off during the period. But concern over flagging productivity last week led the State Council to issue a directive ordering the lunch break cut to one hour, effective on New Year's Day. "Alarm for lunchtime snoozers," proclaimed the government-controlled Xinhua News Agency. "The traditional Chinese lunchtime faces the chop."

But there will be compensation for the shortened lunch break: employees who now work from 8 a.m. to 6 p.m. will be able to leave their jobs an hour earlier. If that trade-off works in Peking, the idea could spread to other cities and to nongovernment organizations where the midday rest is also a tradition. However, the rite of *xiuxi* may have become too ingrained to be rooted out so easily. Says one Peking writer: "The directive won't change much. It's like operating on a finger to cure an ulcer."

AUSTRALIA

Hawke Outflies Peacock


The Prime Minister

Not even a last-minute television debate could lift Australia's eight-week election campaign from near somnolence. Prime Minister Bob Hawke, 54, who enjoys the highest popularity rating of any Australian leader in history, and Opposition Leader Andrew Peacock, 45, whose ratings have been among the lowest ever, slugged it out last week in a 90-minute encounter over the economy, crime and other topics. Surprisingly, Peacock outgunned the normally loquacious Prime Minister with a dynamic performance. The debate had its effect, reducing Hawke's margin and boosting Peacock's popularity; but the result itself was never in serious doubt. The Prime Minister's Australian Labor Party captured about 80 seats in the 148-member House of Representatives. That should allow Hawke latitude to pursue his cautious economic policies until new elections have to be called in 1987.

In one of the campaign's only surprises, Peter Garrett, 31, an Australian pop singer and one of several leaders of the newly formed Nuclear Disarmament Party, polled well in the Senate race and might even pick up a seat when the results are final. Beyond that, the day was Hawke's. Said he: "We will be a government for all Australians."

THE GULF

Buying an Insurance Policy

Ever since fighting broke out between Iran and Iraq more than four years ago, six countries on the Persian Gulf—Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the United Arab Emirates—have been concerned about the potential threat the war poses to their oil interests. The heads of those nations, which formed the Gulf Cooperation Council in 1981, met last week to take out a sort of insurance policy against any damaging spillover from the war. After a three-day meeting in Kuwait's palatial conference hall, built especially for this summit, the leaders announced plans for the creation of an estimated 2,000- to 3,000-man rapid deployment force, which could operate under a unified command based in Saudi Arabia.

The decision to form the force is evidence of the gulf states' rising concern about security in the region. At last week's meeting the leaders also confirmed an earlier pledge to spend more than $1 billion to improve air defenses in the southeastern part of the gulf, where Iranian planes have concentrated their recent attacks on oil tankers. In Washington, reaction to the announcements was favorable. According to one senior official, the U.S. "welcomes any effort to enhance the security and stability of the gulf."

Trying to Puff Up the Sails

Interest rates are falling, but is the drop too late to save the recovery?

More than President Reagan or anyone else, Federal Reserve Chairman Paul Volcker caught the blame for the 1981-82 economic downturn. Now he is in danger of becoming the villain of *Volcker Recession II*. To prevent that unsavory sequel from materializing, the Federal Reserve Board has softened the tight-money stance it adopted earlier in the year and is letting interest rates fall. As a result, by last week a bidding contest was under way as banks rushed to drop the prime rate that they charge corporate borrowers. First New York's Citibank led a group of institutions that lowered their prime from 11.75% to 11.50%. Then another wave of banks, including Chase Manhattan and San Francisco's Bank of America, pushed the prime down to 11.25%.

But a question still haunts businesses and consumers: Has Volcker's rescue mission come too late to save the recovery? Growth in the gross national product, after adjustment for inflation, plummeted from an annual rate of 8.6% in the first half of the year to only 1.9% in the July-September quarter. And bleaker news may lie ahead. The Commerce Department announced last week that the index of leading economic indicators, a barometer of future growth, fell .7% in October. It was the index's third decline in the past five months.

Most economists believe the economy is merely coasting for a while, not collapsing. The consensus of four dozen forecasters surveyed monthly by Robert J. Eggert for his newsletter *Blue Chip Economic Indicators* is that G.N.P. growth will pick back up to 3.3% in 1985. A growing number of analysts, however, are more skeptical. Says Sam Nakagama, a Wall Street economic consultant: "We are already in the midst of a mini-recession, and the danger is that the economy will slide into a full-fledged recession."

Federal Reserve officials brush aside such doomsaying. Says Volcker: "The current pause in economic growth need be no more than that." Agrees Anthony Solomon, president of the New York Federal Reserve Bank: "These signs of outright weakness are likely to prove temporary."

The Federal Reserve is in a much better position to ward off a recession than it was in 1980. At that time, inflation was 12%, and Volcker had little choice but to give the economy a cold shower. This year price rises have been so modest that Treasury Secretary Donald Regan has taken to asking in the manner of Clara ("Where's the beef?") Peller, "Where's the inflation?" Since January the consumer price index has risen at an annual rate of 4.5%. Producer prices, which often foreshadow trends in consumer costs, have gone up at a mild 1.8% pace so far this year and have actually declined for the past three months. Many economists think Volcker has room to nudge interest rates down by perhaps another percentage point without rekindling inflation.

The swiftness of the economic slowdown caught the Federal Reserve by surprise. In the spring, growth was going like a greyhound, and an acceleration of inflation seemed a real possibility. As demand for loans surged, the Reserve Board let the prime rate creep up from 11% in March to 13% by the end of June. Volcker kept the prime at that lofty level all summer in hopes of easing the economy onto a slower, more sustainable growth path.

His strategy worked. In fact, it worked too well. Hefty mortgage rates hammered the housing industry, and the pace of construction faltered, hurting sales of everything from timber to toilets. Consumers turned cautious and scaled back borrowing and spending. As inventories mounted on store and factory shelves, companies curtailed production.

Tight money had an especially harmful effect on international trade. Because high interest rates have enticed foreigners to invest increasing amounts of money in the U.S., the value of the dollar has stayed at an exceptionally high level this year against most major currencies. That has made imports unusually cheap for American buyers and U.S. exports expensive overseas. An import flood has washed away thousands of American jobs and produced a U.S. trade deficit twice as high as any other shortfall on record: a projected $130 billion in 1984. Federal Reserve officials calculate that without the trade deficit G.N.P. growth might have been about 6% in the third quarter instead of 1.9%. Economist Robert Giordano of the Goldman Sachs investment firm in New York City fears that the U.S. may be "importing its way into a recession."

Critics of the Federal Reserve say that it waited too long to let interest rates fall. They point out that M1, the basic money supply that includes cash and checking accounts, showed almost no increase between June and November. Only in the week ending Nov. 19 did M1 finally start to move sharply with a $6.7 billion rise. Says New York Republican Congressman Jack Kemp: "I wish the Fed had acted earlier. We have paid a price in lost growth and lost jobs." Says Paul Craig Roberts, a professor of political economy at Georgetown University: "The Fed has dawdled when the evidence of a serious downturn in growth has been there for all to see." Others argue that because of the time it takes to gather and compile economic statistics, the Federal Reserve had no way of knowing how much damage it was doing. Says James Annable Jr., senior domestic economist for First Chicago Bank: "The Fed operates in the dark to the same degree as anyone else."

Some economists fault banks for being reluctant to drop their loan charges. The Federal Reserve began increasing the flow of money into the financial system in

September, but banks were slow to pick up the cue. By mid-October the prime rate had fallen only from 13% to 12.5%. Observes Donald Maude, chief economist at Refco Partners, a Wall Street investment firm: "Banks were trying to protect profit margins." The reason: bankers wanted to build up reserves to offset expected losses on problem loans.

As the presidential election campaign entered its final weeks, the Administration became increasingly impatient with the banks and the Federal Reserve. In his weekly breakfast meetings with Volcker, Regan urged the chairman to take more aggressive action to force interest rates down. Last month Regan stepped up his campaign in public, complaining that the central bank "could be a little more accommodative" and warning Federal Reserve officials that the Administration would "have to have a few words with them."

Two weeks ago Volcker flashed the sign that the White House wanted to see. The Federal Reserve cut the discount rate, which it levies on loans made to member banks, from 9% to 8.5%. It was an unmistakable signal for banks to lower the interest rates they charge customers. Even some of Volcker's harshest critics are now optimistic, if not entirely satisfied. Says Richard Rahn, chief economist for the U.S. Chamber of Commerce: "The Fed has reacted late and it has probably not gone far enough, but I think we can avoid a recession. The economy should rebound." Administration officials share that view. Says Manuel Johnson, the Assistant Treasury Secretary for Economic Policy: "There's time to move things back on track."

That will happen only if consumers regain the urge to splurge. The latest Commerce Department figures show that retail sales slipped slightly in October. R.H. Macy, the department-store company, reported last week that its profits fell 27% in the three months ending in October, but said that sales picked up in the first days after Thanksgiving, the traditional start of the all important Christmas shopping season. Several other retail chains, including Dayton-Hudson and K mart, are also reporting brisk holiday business. Concludes Robert Ortner, chief economist of the Commerce Department: "The odds still favor a very good Christmas." He thinks the drop in interest rates will bolster consumer confidence.

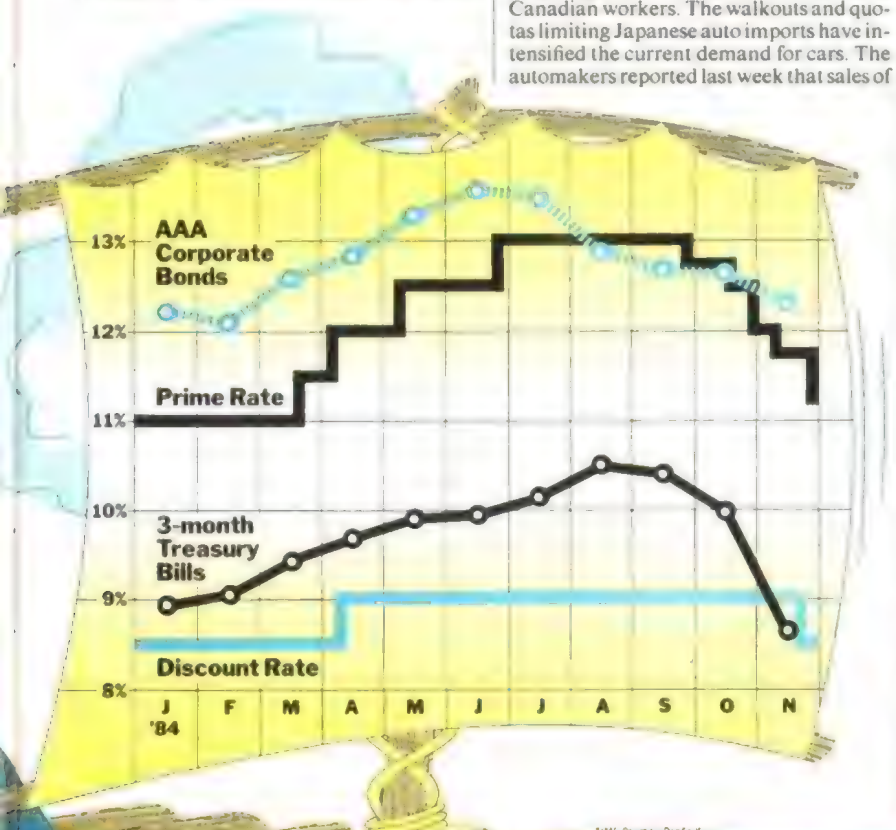
Auto sales may give a spark to the economy. Much of the production slowdown in the third quarter resulted from strikes against General Motors by U.S. and Canadian workers. The walkouts and quotas limiting Japanese auto imports have intensified the current demand for cars. The automakers reported last week that sales of U.S.-built cars were up 29% in the middle ten days of November from the same period a year ago. General Motors scored a 17% gain, Ford's sales rose nearly 50% and Chrysler's jumped 62%. The auto companies plan to lift their production by 15.5% in the first quarter of 1985, compared with the last three months of this year.

Many forecasters expect the Federal Reserve to let interest rates fall further to make absolutely sure that a recession is averted. James Smith, chief economist of Union Carbide, says that the prime rate will probably be down to 10.5% by the end of the year. That should be enough, he predicts, to spur G.N.P. growth into the 4%-to-5% range for the first half of 1985.

But if Volcker is too generous with the money and interest rates drop too far, foreigners could start shunning U.S. investments and send the dollar into a steep decline. That might cause a sudden burst of inflation by making imports more expensive. For the moment, though, the dollar seems to be holding its own. On the day Citibank led the prime-rate cuts last week, the dollar surprisingly rose against the deutsche mark and the French franc. One reason for the dollar's continued strength is that foreign central banks, especially in Western Europe, have been reducing interest rates in their countries just as the Federal Reserve has in the U.S. As a result, many overseas investors are still content to keep their money in the U.S. Says Volcker: "With the dollar so strong internationally, I believe we have more flexibility in the conduct of policy than for some time."

The most ominous threat to Volcker's strategy is the federal budget deficit, which is now expected to reach $210 billion in 1985. Even if he manages to revive the economy, Government borrowing may force interest rates up again next year and throttle growth. More and more business and financial leaders are publicly demanding that action be taken to reduce the deficit. In a speech in Washington last week, Robert Kilpatrick, chairman of the Cigna financial services company, summed up the rising concern. Said he: "We must solve this critical problem today or we face a much deeper problem tomorrow."

Unless President Reagan and Congress settle their differences and attack the deficit, the odds for recession or swift inflation, or a combination of both, will rise. The burden of avoiding those dangers—fairly or not—will rest squarely on the shoulders of Paul Volcker. If he fails, he may be the scapegoat once again for the political stalemate between the White House and Congress. —*By Charles P. Alexander. Reported by Christopher Redman/Washington and Frederick Ungeheuer/New York*



TIME Chart by Renée Klein

Booming Sales in Toyland

Santa's elves prepare for what may be their best Christmas ever

Make way for a fun-and-games Christmas. Stand aside for an avalanche of GoBots, Trivial Pursuits, G.I. Joes, Gloworms, Transformers, Cabbage Patch Kids, Care Bears and Rainbow Brites. Hold your breath for a flood of He-Mans and My Little Ponys. After two years of a sturdy economic recovery in which adult Americans got their goodies, it is now the turn of their children. Toymakers and -sellers are happily anticipating their biggest Christmas, and their biggest sales year, ever.

The 235 members of the Toy Manufacturers of America, which accounts for 90% of all the toys sold in the U.S., are expecting retail sales this year of $12.5 billion, up from $10.4 billion in 1983. It will be a "super year by a comfortable margin," says David Leibowitz, a toy-industry analyst for American Securities in New York City. New Jersey–based Toys "R" Us, America's largest seller of playthings (1983 sales: $1.32 billion), expects a sales increase of about 33%.

Two popular items, Cabbage Patch dolls and Trivial Pursuit, both introduced last year, are no longer simply hot-selling toys. They have now become American social milestones. Says Thomas Kully, a toy-industry watcher at the investment firm of William Blair & Co. of Chicago: "Those two products are absolutely the biggest the industry has ever seen." Shipments of Cabbage Patch Kids and ancillary licensed products, including a board game, storybooks, decals and patches, will reach $1 billion in 1984. More than a year after they appeared and despite the fact that Coleco, their manufacturer, does not even advertise them, the dolls are still in short supply. That does not hurt sales; in fact, it helps. Says Margaret Preble, a sociology instructor in Virginia: "The shortage gives implied status to those who can get a doll." An official of Toys "R" Us says "thousands of people" are on its Cabbage Patch doll lists in its 198 U.S. stores.

Meanwhile, Trivial Pursuit has taken hold of the nation. Last year all board-game sales were worth $200 million at wholesale; this year Trivial Pursuit alone will have sales of close to $400 million. An estimated 22 million Trivial game boards and question sets will be sold in 1984. The game's success has also helped revive old board favorites. Sales this year of Scrabble sets are up 27%, to 2 million, and dollar sales of Parker Brothers' Clue are up 20%. Psychologists and sociologists are searching for an explanation for Trivial Pursuit's phenomenal popularity. Says Psychology Professor Ricki Levenson of New York University: "Trivia plugs into everybody's secret addiction to gossip. Knowledge of trivia, like the name of Princess Di's hairdresser, is mental junk food that people delight in consuming."

The brisk toy and board-game sales were set up, in part, by the decline and fall of the video game. Capricious young people rapidly cooled toward them in the fall of 1983, and retailers were stuck with huge oversupplies. At the same time, stores last Christmas were caught short of such traditional items as dolls, trucks and board games. Video-game retail sales this year are off sharply again, down 56% during the first nine months *vs.* the same period in 1983. Fueled partly by money that had previously been spent on expensive video games, sales of other kinds of toys moved along smartly right from the beginning of 1984 and have stayed high.

In toyland's aisles throughout America last week, it was lurch and grab. Retailers were selling out fast of popular items as soon as they restocked shelves. Tonka has told some storekeepers that they can expect no more shipments until January of its hot-selling GoBots, innocent trucks and vans that turn into ferocious robots. Transformers, clones of GoBots that are made by Hasbro Bradley, are also in short supply and are now outselling their rival.

Toy marketeers seem to have guessed right in determining what would sell. Fisher-Price, the toymaking subsidiary of Quaker Oats, teamed up with Kodak to produce a new child's camera that sells for $25 to $44. In its viewfinder is an indicator that shows a red flag if the child is holding the camera crooked. Fisher-Price has long made a play camera, but the one this year was its first foray into the real thing, and it is selling well.

Marketing techniques are slicker and more irresistible than ever. At one time, toys were copied from movie, television or newspaper cartoon characters. Examples: Snoopy and Mickey Mouse. Now that is reversed. Toymakers vigorously promote their own elaborately executed concepts. They create the character and then license rights to the storybooks, school bags, furniture, clothes, greeting cards and TV shows that go with it. American Greetings started the trend in a big way in 1980 with Strawberry Shortcake. Similar hits this Christmas include Care Bears and Masters of the Universe.

Parents who try to buck the marketing efforts of the toymakers by even so much as

Photograph for TIME by Raeanne Rubenstein

thinking about more conventional gifts will need a division of G.I. Joes to hold their ground. When asked what they want for Christmas, most children will parrot the names of popular toys. Jennifer Been, 7, of Dallas advises that she wants a Cabbage Patch Kid, a Cabbage Patch stroller, a Fisher-Price camera and Lego building blocks. Says she: "Almost every girl in the second grade has a Cabbage Patch Kid." Carole Lockman of Wayland, Mass., has always looked for toys that were "intellectually of good quality." But she confesses, "My 13-year-old wants anything to do with Michael Jackson." Joseph Zaitchik, a University of Lowell English professor, and his wife Holly play chess with their eight- and four-year-old sons. Some of their gifts this year will be traditional: a microscope, for example, and a baseball bat. But something new is also trundling in. Says Holly Zaitchik: "My little one is into cuddly things. He wants a Care Bear, and I've bought him one."

Other forces are at work to keep toymakers busy for years to come. There is first the baby boomlet, which started in 1976. While not as important as the postwar baby boom, it has produced a new generation of toy customers. Says Carol Blackley, an official with Fisher-Price: "The important thing to track is first births. Parents generally spend more for their firstborn. More toys are passed down to the second and third child." By the middle of the '90s, the number of children from infant to age nine is expected to increase by 12.3%. To the toy marketeers, that translates into more than 4 million new consumers. Industry officials think the baby boomlet will mean solid non-Christmas sales as well. Says Stephen Hassenfeld, 42, chairman of Hasbro Bradley: "Business is pulsing. Not only for today, but for tomorrow."

Then there is the divorce rate. Industry people point out that divorced parents, especially affluent ones, tend to shower gifts on their offspring throughout the year but really pull out the stops at Christmas. Mommy and Daddy living apart may buy twice as many gifts for their children. When one or both of the divorced spouses remarrys, more gifts flow.

Toy executives know that children's tastes could again change, just as they did with video games. This year's conquering robots could be unwanted tomorrow. But that is the business. Says Tom West, marketing manager of Ceji-Revell of Venice, Calif.: "There's a robot market now, but will there be one in a few years? You buy heavy, go for the gold, get in while it's hot. These frenzies overdo themselves, then peter out." For now that has yet to happen. Grandparents can try to give Erector Sets or electric trains, but most children around the tree this year will be transforming GoBots, hugging Care Bears or casting spells with Masters of the Universe. *—By John S. DeMott. Reported by Rosemary Byrnes/New York, with other bureaus*

History's Biggest Stock Offering

Investors queue for shares as British Telecom goes private

Britain may be a nation of shopkeepers and gardeners, but it is not one of shareholders. Only one in 25 people own stock, *vs.* one in five in the U.S. Last week that began changing, as Britons rushed to take part in the biggest stock sale since 1066 and all that. The Thatcher government is selling 50.2% of British Telecom, the nationalized telecommunications company, to institutional investors and the general public. The sale will raise $4.7 billion from more than 3 billion shares.

Encouraged by a $10.3 million advertising campaign, Britons lined up at banks, post offices and department stores to pick up an estimated 2 million applications to buy the 1.16 billion Telecom shares reserved for individual investors. Although the scheduled per share price was $1.56, demand was so great that shares may reach $1.80 or more after trading begins this week in London and other major stock exchanges. One attraction: bonuses of one free share for every ten bought and held for three years. People deluged stockbrokers with calls to buy at least the minimum of 200 shares, even in recession-dispirited north England. Traders in London's financial district expected that investors might want to buy more than twice the number of shares available.

An additional 1.42 billion shares will go mainly to British institutional investors, with another $280.8 million worth going to the U.S., where traditional wariness of foreign stocks will, in this case, be cast aside. Says Donna Jaegers, a telecommunications analyst at Wall Street's Paine Webber: "People feel at home with the British."

The sale of the telecommunications giant's stock is part of the Thatcher government's program of turning state-owned enterprises over to private investors. The Conservatives hope that this will help make the companies more efficient and profitable. They also feel that thousands, or even millions, of happy shareholders would make it all the more difficult for a future Labor government to renationalize companies that have gone private.

The opposition has groused that privatization is really piratization of assets rightly owned by the British people. They assert that the companies are being grossly undervalued. British Telecom, claims Alan Tuffin, general secretary of the Union of Communication Workers, is worth at least $12 billion, and selling it for $4.7 billion amounts to no less than "plundering the country's assets for private gain."

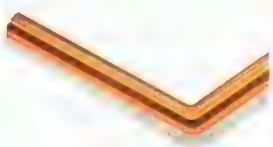
In London last week, would-be owners of the new issue await their chance to turn in applications

While the idea of privatization sounds appealing enough to Conservatives, it has been difficult to achieve in practice. So far, only Jaguar, Britoil and a handful of other nationalized firms have been turned over to private hands. Within the Thatcher government, squabbles have broken out over what companies to take private and when to do it.

In the sale of British Telecom, however, everything seems to be going right. Even the climate for investing appears to be ideal. The once anemic British stock market has bounced back smartly during the past six weeks, with one leading index hitting a record. Interest rates have dropped off.

Whether a privately owned British Telecom will be much of an improvement over the state-owned company is debatable. British Telecom was one of the first in Europe to divorce its telephone system from antiquated postal and telegraph services. But, say critics, the company is still run inefficiently, with too many employees (240,000) and too much obsolete equipment. Last week, though, naysayers were being ignored by would-be shareholders, some of whom were mortgaging their houses to buy the stock. *—By John S. DeMott. Reported by Mary Cronin/London*

The California advantage.



INVESTOR REPORT NO. 3:

At Pacific Telesis, one of our biggest assets isn't listed on our balance sheet.

It's the fact that we do business in the country's most dynamic telecommunications marketplace.

We call it the "California advantage," and we're tapping this advantage to increase the value of our shareowners' investment.

What makes California so exceptional? Consider the facts.

Economic expansion. With a projected 1984 gross product of more than $460 billion, California is the seventh largest economic power in the world. One-fifth of the nation's 500 fastest-growing companies are located in California—more than any other state. And *The Economist* predicts that California's economy will be the world's fourth largest by the end of the century.

California's rapid economic growth has created a tremendous demand for telecommunications services. This demand is expected to grow at a compound annual rate of 16 percent—from $9.7 billion in 1981 to $44.4 billion in 1991.

Concentrated population growth. California is the most populous state, and growing twice as fast as the rest of the country. 1984 figure: 24 million. 1990 projection: 27 million.

As a result, we project a similarly healthy increase in Pacific Bell's current 11.5 million access lines. And, because 91 percent of California's growing population is concentrated in urban areas, we'll be able to expand our network on a more cost efficient basis.

Technological sophistication. The California market is more than just big numbers. It's sophisticated as well. Much of the world's research in microelectronics is conducted in the Silicon Valley and 14 other high tech hot spots around the state.

And California leads the nation in aerospace and defense contracts and in high technology manufacturing—all communications-intensive industries.

California also leads in the number of personal computers, with 20 percent of the nation's 9.5 million total. Not inconsequentially, many of these computers rely on the Pacific Bell network to communicate.

The complete picture. The California telecommunications market has size, sophistication, wealth and something equally important—an appetite for innovation. And our company's success with mobile telephone service is a good illustration of how we're capitalizing on all four of these factors.

Last June, one of our new subsidiaries, PacTel Mobile Access, began operations in four Los Angeles area counties. The company markets Mobilinx,℠ a new kind of mobile telephone service based on cellular radio technology.

By November, PacTel Mobile Access had become the largest cellular system in the country—with over 12,000 customers.

The examples we've given you here are just a few of the ways in which we're successfully tapping California's potential.

For investors, the bottom line is this: Pacific Telesis is the only new Bell company with the California advantage.

To find out more, please write Michael McGreevy, Director, Investor Relations, 140 New Montgomery Street, San Francisco, California 94105.

PACIFIC TELESIS℠ Group

Business Notes

MERGERS

No More Farming for Harvester

McCormick reaper of the 1840s

To reassure its customers, the long-ailing International Harvester launched an ad campaign early this year that featured this slogan: "The commitment is forever." But last week Harvester's shaky financial condition forced it to break that promise. The Chicago-based company decided to sell its agricultural division for $430 million to Houston's Tenneco, an energy conglomerate. This means that Harvester, the descendant of a company founded by Cyrus McCormick, the inventor of the mechanical reaper, will abandon its original line of business. The divestiture will let Harvester concentrate on its profitable truck-building operation. Tenneco will merge Harvester's tractor line with its struggling J.I. Case farm-equipment division. By closing plants like Harvester's giant Farmall factory in Rock Island, Ill., Tenneco hopes to slash the industry's overcapacity. The cutbacks, though, could bring layoffs for thousands of workers.

Another heavy-equipment maker, Caterpillar Tractor, announced last week that it may move some of its production from plants in Illinois and Iowa to factories in Western Europe. The step could mean the loss of even more Midwestern jobs.

BANKRUPTCY

Pink and Green and in the Red

When Socialite Lilly Pulitzer started selling flower-splattered print dresses in a Palm Beach, Fla., shop in 1962, her designs quickly caught the fancy of wealthy matrons from Bel Air, Calif., to Bar Harbor, Me. Pulitzer's trademark pink-and-green styles became the epitome of preppiedom and led to the opening of 33 boutiques across the country. But after nearly two decades of cachet, Pulitzer has fallen out of style and into the red. Last week her company, which had sales of more than $10 million a year in its heyday, filed for bankruptcy in order to receive protection from creditors. The firm will close six of its 26 remaining shops.

Pulitzer launched her venture while married to Newspaper Heir Peter Pulitzer, who made headlines in 1982 during a sensational divorce from his third wife, Roxanne. Lilly and Peter were divorced in 1969. Pulitzer tried to keep her fashions up to date over the past few years by switching to more formal, darker colors. But the designer was never able to find the magic that would capture the attention of today's smart set.


Designer Pulitzer

AUTOS

A Mazda Mustang?

Mazda Motor of Hiroshima, well known for the rotary engine that is the soul of its spirited RX-7 sports car, is joining Japan's automotive invasion of the U.S. Mazda announced last week that it would start producing cars in Michigan in 1987, bringing to four the number of Japanese automakers manufacturing in the U.S. Honda has a plant in Marysville, Ohio; Nissan has one in Smyrna, Tenn., and Toyota will begin producing cars this month in a venture with General Motors in Fremont, Calif. Mazda plans to construct a $450 million assembly plant near a Ford foundry in Flat Rock, literally in Detroit's backyard.

Mazda's U.S. venture will bring it closer to Ford, which already owns 25% of the company. The Mazda GLC sedan is marketed by Ford in Australia and New Zealand as the Laser. The proposed Michigan plant will probably put 3,500 people to work in an area of high unemployment. By the end of 1988, the factory could be turning out vehicles at the rate of 240,000 annually. Ford is expected to buy some of the cars and may put the Mustang name plate on them. Fast-growing Mazda has been crimped by import restraints that limit its U.S. sales to 173,400 cars a year. Said a Mazda official: "We've had no choice but to start production in the U.S."

CORPORATE STRATEGY

Big Oil's Housecleaning

Primary product

Diversify! That was the buzzword in Big Oil boardrooms during the 1970s, when the companies were trying to stash away their megaprofits in ventures that would pay off in leaner times. But now, just when the investments should be ripening, many have turned up sour. Last week Exxon said that it is trying to find a buyer for its moribund office-equipment division, an enterprise that has cost the company some $100 million. When Exxon challenged Xerox, IBM and Wang by introducing its Vydec word processors, Qyx typewriters and Qwip facsimile transmitters in the late 1970s, the innovative machines drew praise. But the oil company failed to follow up with more breakthroughs, and its business-equipment sales never took off.

Two other oil companies last week disclosed major housecleaning steps, partly the result of an 18-month slide in oil prices. Texaco announced plans to take a $765 million write-off on its fourth-quarter earnings, partly to reflect the decreased value of several underused refineries and oil tankers. California's Chevron, which merged with Gulf this year, said it may have to lay off some 10,000 workers and sell Gulf's Pittsburgh headquarters.


No longer Exxon's type

BIRTH CONTROL

Back to Basics

The makers of an age-old form of birth control, the condom, are again doing a thriving business. After a decade of mediocre sales in the 1970s, the condom is rapidly regaining popularity. Some 500 million will be sold in the U.S. this year, a 15% increase over 1983. According to manufacturers, many people see them as a way to help prevent some kinds of venereal disease. Says Milton Bryson, marketing director for Youngs Drug Products, which makes the Trojans brand: "People have become much more health conscious." Other buyers choose the condom, which is more than 90% effective in preventing conception, to avoid the side effects sometimes associated with such birth control methods as the Pill and intrauterine devices.

Condoms are now also easier to buy. They emerged from behind the pharmacist's counter after a 1977 U.S. Supreme Court ruling made it legal to advertise and display them. Today about the only difficult part of buying them is choosing from some 50 brands of varying colors and textures. Such old established types as Trojans and Sheik have been joined by slickly packaged ones with names like LifeStyles Stimula.

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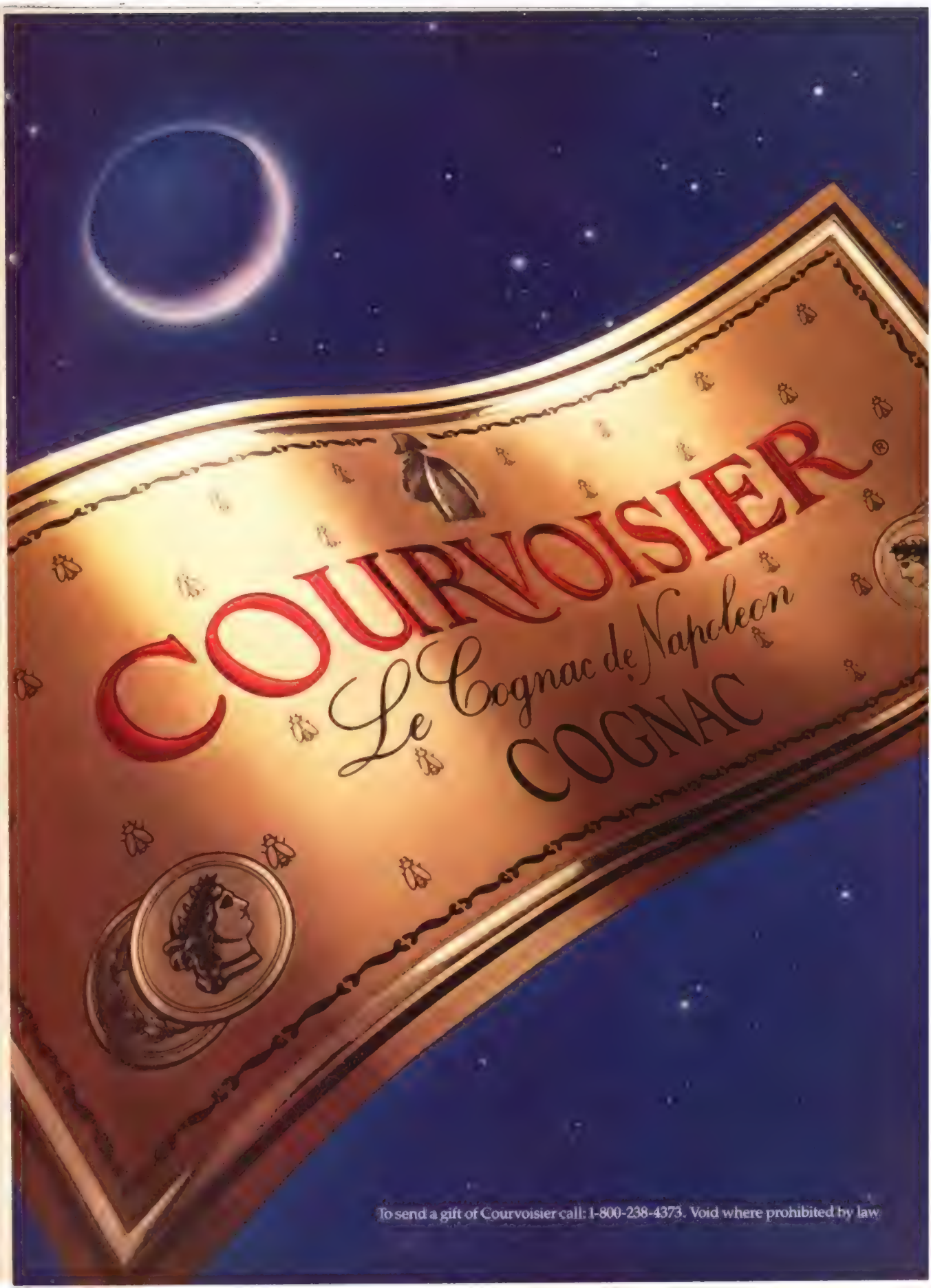
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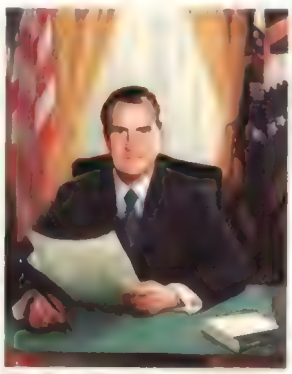
People

Oh, to be 46 and look like **Claudia Cardinale.** (Or spend time with someone who does.) Italy's President **Sandro Pertini** recently told a group of journalists that she is the living actress "I admire most in the movies." But despite their leader's enthusiasm, Italian audiences and critics have had a more mixed reaction to the star's latest film, *Claretta*, directed by Cardinale's constant companion, **Pasquale Squitieri.** The comely Cardinale plays Mussolini's mistress, and some think the movie is too soft on *Il Duce*. "The film is not about Mussoli-



THE WHITE HOUSE COLLECTION

The first official portrait (1981)

THE WHITE HOUSE COLLECTION

. . . and Nixon's new likeness

ni," counters Producer **Giacomo Pezzali.** "It is about Claretta Petacci and her family. We've concentrated on the love story between Claretta and Mussolini. All we wanted to do was a film about this woman who was so very much like a character in a Greek tragedy."

■

One of the paintings on the White House walls was switched without announcement or ceremony last month, but not because the subject was unknown. The reason is that former President **Richard Nixon,** 71, never did like the portrait of him by **Alexander Clayton** that hung for three years outside the East Room. So last January, Nixon personally commissioned Houston Painter **J. Anthony Wills,** 72, to produce a new likeness for $20,000. Wills, who had done Dwight Eisenhower's White House portrait and had also rendered Henry Kissinger for the State Department, went to New York City to see his subject. But he tried to paint him as he looked while in office. The final 45¾ in.-by-34⅞ in. canvas took two weeks to finish and was approved by both Nixon and his wife **Pat.** "He was ecstatic," recalls Wills. The original Clayton painting, which cost the White House Historical Association $15,000, has now been banished from display but will remain in the Presidential Collection.

SIPLEY—CSNA

Cardinale: bringing out the tender side of *Il Duce*

■

His father is as famous for his penchant for privacy as for his fiction, but when it comes to his career **Matt Salinger,** 24, the son of *Catcher in the Rye* Author **J.D.,** is no chip off the writer's block. "My father sees his job as writing. Whether anybody reads his stories, his job is writing them. I see my job as acting." But young Salinger hopes somebody comes to see him in *Dancing in the End Zone*, which just started rehearsals and will open in January. It will be his Broadway debut, following some off-Broadway and out-of-town stage work as well as a few bit parts in TV soaps. In *End Zone*, he landed one of the lead roles, playing James Bernard, a talented college quarterback who struggles to reconcile his personal conscience with the win-at-any-cost pressures of his coach. Salinger's father and mother (who divorced in 1966) have both supported his acting ambitions and promise to show up for one of the early performances. Says he: "I'll be nervous and worried enough without worrying about what they think." Which is something Holden Caulfield would certainly understand.

MARTHA SWOPE

Salinger rehearsing for *End Zone*

Boston bar patron: Hey pal, didya read **Mike Barnicle** the other day in the *Globe*? He says that "anybody interested in **Ted Kennedy's** political plans merely has to pay attention to the guy's weight," because he slims down before elections and then blows up again right afterward. Set me up again, and not that lite stuff.

Bartender: Here you go. I guess Teddy is lookin' kinda heavy these days, ain't he? Usually goes 210, and I bet he's piled on an extra 20. Another politician with a big mouth, right? Whaddaya say, how about some more pretzels?

Patron: Right you are. Like Barnicle says, "When Teddy is at McDonald's, you can watch the numbers change on the sign." Or how about, "You know where he stands: there's a dent in the ground," and—listen to this one—"Watching Ted Kennedy get out of a chair is like watching the Russians get out of Afghanistan."

Bartender: Not bad for heavy humor, but I hear Teddy came back with a letter to the editor that said, "When I get down to my fighting weight, which I plan to do, I would hope the *Globe's* policy of fairness will entitle me to the same expansive coverage."

Patron: Well, personally I got no sympathy for the guy. All it takes is a little self-restraint. Lemme have a corned beef on rye with extra mayo. And get me another brew while you're at it.

—By Guy Garcia

Tubby Teddy with Daughter Kara

COVER STORIES

One Miracle, Many Doubts

A feat of heart surgery sharpens the debate over benefits and costs

The dying heart was an ugly yellowish color when Dr. William DeVries finally cut it loose, tore it out of the Mercurochrome-stained chest cavity, and put it to one side. For the next three hours, while a nearby heart-lung bypass machine kept the unconscious patient alive—and while a tape in the background eerily played Mendelssohn and Vivaldi—DeVries' sure hands carefully stitched into place a grapefruit-size gadget made of aluminum and polyurethane. At 12:50 p.m. last Monday, the Jarvik-7 artificial heart newly sewn inside William J. Schroeder began beating steadily, 70 beats to the minute. When Schroeder opened his eyes 3½ hours later in the intensive-care unit, DeVries bent over his patient and whispered assurances. "The operation is all through. You did really well. Everything is perfect."

So, for only the second time in history, a human heart had been permanently replaced by a machine. Like a landing on the moon or a close-up photograph of Saturn's rings, it was an event that seized the world's imagination, arousing once again a sense of shuddering awe at the incredible powers of technology, a sense that almost anything is possible, almost anything that can be imagined can be done.

Though nobody could predict how long the aging and diabetic Schroeder would survive—his only predecessor, Dr. Barney Clark, died after a courageous 112-day struggle last year—he was reported at week's end to be doing "beautifully" *(see following story)*. But even if Schroeder dies soon, there will be more such operations, and even more complicated ones, in the near future.

The Humana Hospital Audubon in Louisville, where the operation took place, has received permission from the Food and Drug Administration to perform another five artificial-heart implants. One candidate is now in the hospital for evaluation, but will most likely be turned down. At the same time, two Southern girls are scheduled for complex variations of organ replacements this month. Cynthia Bratcher, 6, of Scottsville, Ky., will be taken to Birmingham for an operation that will install a second heart inside her. Meanwhile, Mary Cheatham, 17, of Fort Worth, will go to Pittsburgh for simultaneous transplanting of heart and liver. (The first recipient of such a double transplant, Stormie Jones, 7, of Cumby, Texas, is still doing well after ten months.)

In what should be a time for congratulations and rejoicing, it may seem carping to raise questions about the value of such spectacular operations, yet that is exactly what a number of medical experts were doing last week. They did so because they feel serious doubts about the whole course of high-technology medicine, doubts about cost, ethics, efficiency and simple justice.

VITAL STATISTICS

	Transplants performed in U.S., 1983	Average cost	1-year success rate	People waiting for transplants
Heart	172	$100,000	80%	40*
Kidney	6,116	$ 30,000	60-85%	7,000
Liver	163	$135,000	65%	175
Pancreas	218	$ 35,000	35-40%	30*

*50,000 could benefit from heart transplants; 5,000 could benefit from pancreas transplants

Source: American Council on Transplantation

On a narrow technical level, this is partly a continuing debate about the comparative merits of transplanted human hearts *vs.* mechanical hearts (not to mention animal hearts like the one that kept Baby Fae alive for three dramatic weeks). When Dr. Christiaan Barnard began performing some of the world's first heart transplants in 1967, such efforts usually ended in failure and death because the patient's immune system rejected the implanted heart. But the development in 1980 of the antirejection drug cyclosporin has brought a drastic change. More than 200 heart transplants a year are now being performed in the U.S. alone, and the survival rate is about 80% for one year, 50% for five years. "I love life," says Dr. Barnard, now 62, retired, and contemplating a third marriage (to a 21-year-old Cape Town model), "but I certainly wouldn't go for an artificial heart. A transplant, yes, but I don't fancy being attached to a machine for whatever life I have left." On a more philosophical level, some experts challenge the very idea of artificial and transplanted organs. Dr. Lewis Thomas, president emeritus of the Memorial Sloan-Kettering Cancer Center and the thoughtful author of *The Lives of a Cell*, warns that such procedures represent an "insupportably expensive, ethically puzzling, halfway technology." Says Kenneth Vaux, professor of ethics in medicine at the University of Illinois: "We are going to have to decide as a society what we want from our biomedical projects. What kind of a person are we seeking to create? A collection of interchangeable parts you can continually change when those parts fail? An artificial person? We are going to have to temper our ambitions and learn to accept the inevitability of disease, the inevitability of death itself."

Colorado Democratic Governor Richard Lamm, 49, who created a furor last spring by declaring that "we've got a duty to die and get out of the way with all of our machines and artificial hearts, so that our kids can build a reasonable life," reasserted that view last week. Said he: "High-tech medicine is really the Faustian bargain, where for a few extra days of life, we have to pay the price that could bankrupt the country."

Pay the price—the argument keeps coming back to that. When people are sick, they and their families hardly question the price; somebody will have to pay—the insurance company, the Government, the hospital. Humana, for one, is waiving all heart implant fees for Schroeder and other pioneering patients, though this may serve primarily to give the institution a commanding leadership in the field of artificial hearts. But somebody does eventually have to pay.

Dr. Thomas Starzl, a noted transplant surgeon at the University Health Center in Pittsburgh, argues that "the cost of transplants is no higher than the cost of dying from severe diseases of vi-

Photographs by William Strode—Black Star from Humana Inc.

The Humana surgical team works to remove Schroeder's diseased heart as the mechanical replacement lies ready for implantation

tal organs." A patient can run up expenses of $250,000 before getting a liver transplant, Starzl points out. Nevertheless, the prices of organ transplants remain staggering: heart transplants cost somewhere between $100,000 and $200,000 (Clark's hospital bill was $200,000, not counting $9,000 for the artificial heart, $7,400 for its pump, and the $3,000 or so per year that it would have cost him to run the system if he had survived). The prices for other organs are comparable. A liver transplant costs $135,000, and a year of rehabilitation treatment can double that. Bone-marrow transplants run to $60,000.

Organ transplants are by no means the only miracle cures provided by high-tech medicine. A hemophiliac's Autoplex injections, which stimulate blood coagulation, can cost up to $100,000 to keep him alive for three months. Dialysis machines for kidney patients, which pump the blood through an artificial cleansing device, cost nearly $20,000 per year.

If there were only a few desperately ill patients to be saved, extraordinary measures could be organized to save them. At one of the Humana press conferences last week, a young woman named Theresa Garrison sat wearing a T shirt that said HELP US HELP AMIE LIVE. Amie Garrison, 5, of Clarksville, Ind., was born without bile ducts, which drain bile out of the liver, and she will die unless she gets a liver transplant. A country-and-western band has so far helped raise $20,000, but the Garrisons also need publicity to find a liver donor. Both Indiana Senators are assisting. To further promote Amie's cause, the Garrisons hope she can join President Reagan in lighting the national Christmas tree next week.

But there are at least 150 other Amies around the country who are hoping for liver transplants, and the need for other organs runs into many thousands. Medical insurance firms generally decline payment for such operations on the ground that they are still experimental, though Blue Cross of California has paid between $95,000 and $100,000 for each of two heart transplants this year. The prospect of the Federal Government taking over the financing is none too cheering either, since the Social Security system is already staggering under a burden of an estimated $85 billion in annual medical costs.

The only real precedent for a federal intervention is Congress's decision in 1972 to pay 80% of the ruinous cost of kidney transplants and dialysis for anyone whose kidneys fail. Congress expected to pay nearly $140 million for 5,000 to 7,000 dialysis patients. The first year's bill came to $241 million for 10,300 patients. In a decade, the number of patients has soared to 82,000—including dying cancer victims and nursing-home octogenarians—at a cost of $2 billion, which accounts for 10% of all Medicare payments for physicians.

Heart replacements could run considerably higher than that (some guesses go as high as $40 billion). The number who could benefit from artificial or transplanted hearts is usually estimated at 50,000 per year, possibly 75,000. Multiplying 50,000 cases by an average cost of, say, $150,000 per operation comes to a breathtaking total of $7.5 billion annually.

In theory, even such a cost is quite feasible in a trillion-dollar economy. For the Federal Government, the gigantic bill would represent only about 3% of the budget deficit, the price of three Trident submarines, or about half of what is spent annually on bridge and highway repair. And until fairly recently, the ideal of good medical care for every citizen was proclaimed to be a top national priority. "The fulfillment of our national purpose," Congress rather grandly declared in 1966, "depends on promoting and assuring the highest level of health attainable for every person."

Realistically, however, the question is not how much the U.S. could theoretically afford to spend but how it should apportion the resources available for medicine. Those resources, though not unlimited, are enormous. After a generation of rising costs, the U.S. now spends more than $1 billion every day on health care, 10.8% of the gross national product. Once a country spends more than 10% of G.N.P. on health, says Robert Rushmer, a professor of bioengineering at the University of Washington who has studied medical costs in Europe, it begins imposing restrictions on who gets what. "We have to come to grips with the fact that our technical abilities have outstripped our social, economic and political policies," says Rushmer.

"But where has all the money gone?" asks one of Rushmer's colleagues, James Speer, a professor of biomedical history at Washington. "We are not living all that much longer. These expenditures can't be understood in the health of people, but in the creation of a very large industry." Harvey Fineberg, dean of Harvard's School of Public Health, attributes fully one-third of the past decade's increase in Medicare costs to the increased use of high-tech medicine, particularly surgical and diagnostic procedures. "I don't mean to downplay the bravery of this individual," Fineberg says of last week's artificial-

SALO MARCO JR.

Cardiologist Preston of Pacific Medical Center
"The public should be involved in decisions."

PERRELL/JSP

Pioneering Heart Surgeon Cooley of Houston
Research spin-offs "would be invaluable."

CYNTHIA JOHNSON

Author and Researcher Emeritus Thomas
The technology is "ethically puzzling."

heart recipient, "but someone has to speak up for the thousands of people whose names are not on everybody's lips, who are dying just as surely as Mr. Schroeder, and whose deaths are preventable."

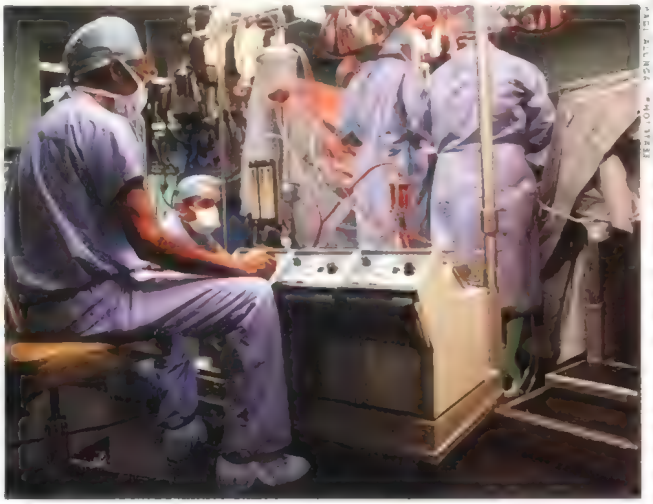
Rina Spence, president of Emerson Hospital in Concord, Mass., estimates that the bill for Schroeder's operation represents 790 days of hospital care at her hospital, or full treatment for 113 patients for an average stay of a week. "That's what is in the balance," she says sternly.

In terms of the poor, the comparisons look even worse. "We are not giving basic medical care to people in the inner cities," says Tom Preston, chief of cardiology at the Pacific Medical Center in Seattle. A liver transplant of the kind that little Amie Garrison needs would finance a year's operation by a San Francisco inner-city clinic that provides 30,000 office visits in that time. Says Harmon Smith, a professor of moral theology at Duke: "I don't understand the fascination with these absurd, bizarre experiments when we have babies born every day in the U.S. who are brain-damaged because of malnutrition. It is a serious indictment of our society." Barton Bernstein, a historian at Stanford, takes a similar but broader view. "Changing the conditions of poverty would improve health more than all the medical innovations we are going to get in the next decade."

Among those who criticize the financial inefficiency of spectacular surgical experiments, the most common prescription is a greater emphasis on preventive medicine—immunization, examination, nutrition—and not just medicine but a healthier way of living. "Control smoking, alcohol, handguns, overeating and seat belts," says Speer, "and that would be a new world." Sensible though such suggestions are, they are highly colored by wishful thinking.

What is far more likely, since overall demand exceeds overall ability to pay, is some form of rationing or restriction. "There is no question that we face rationing," says Morris Abram, the New York attorney who served from 1979 to 1983 as chairman of the President's commission on medical ethics. But Gregory Pence, who teaches ethics at the University of Alabama Medical School, offers a warning. "Medical costs are uncontrollable because we lack moral agreement about how to deny medical services. Deciding how to say 'no,' and to say it with honesty and integrity, is perhaps the most profound, most difficult moral question our society will face in coming years. But face it we must, for the alternative is disastrous."

Triage is the French military term for the battlefront procedure by which overworked surgeons reject some casualties as too lightly wounded to require treatment, reject others as too badly wounded to be saved, and concentrate their limited resources on the remainder. No matter how it is done, triage is a cruel procedure, perhaps an immoral one, but generally recognized as necessary.



Where the money goes: a heart-lung machine in use during cardiac surgery

A ventilator for comatose and other patients with breathing difficulties

Nobody likes to admit that triage is already being employed in high-tech medicine. When a Long Island hospital was accused last summer of posting color-coded charts next to patients who could be allowed to die, its officials loudly denied the district attorney's accusations and the matter was allowed to drop.

But there are many ways of practicing triage. One of the simplest, quite possibly illegal, is by age. One reason both Barney Clark and William Schroeder wanted artificial hearts was that they were both over 50, the unofficial cutoff point for heart transplants. Schroeder had been rejected three times. A more ambiguous standard is the idea that doctors should decide on their own who is best suited for high-tech treatment. But who should get preference—the most sick or the least sick?

The British National Health Service practices triage by delay. For example, it provides heart transplants (110 this year) entirely at government expense, but there are waiting lists of up to a year for all such complex surgery. Though the principle of first come, first served is fair in its random way, rather like a London bus queue, the delay inevitably kills off a certain number of applicants.

And then there is the old tradition of triage by money. A wealthy Briton who does not want to wait in the National Health Service queue can have a private transplant operation for a reported $13,000. In the U.S. too, and in most of the world, money may not buy health, but it certainly helps.

Ever since the coming of the welfare state two generations ago, there has been an increasing repugnance to the idea of the rich enjoying essential services that are denied to the poor. But that same period has seen a drastic change both in the meaning of essential services and in the way people die. At the turn of the century, most people died fairly quickly of infectious diseases, primarily influenza and pneumonia. Now that those diseases can be cured with drugs, the chief killers are slow degenerative diseases, notably heart ailments and cancer. At the turn of the century, most people died at home, cheaply. Today more than 70% die in expensively equipped hospitals, and it is estimated that half of an average person's lifetime medical expenses will occur during his last six months.

What quantity and quality of hospital care people have a right to expect lies at the center of the problem, particularly since 90% of the bills are paid by some type of organization. As Colorado's Governor Lamm tartly puts it, "We give food stamps, but we don't give people the right to go to Jack's [an expensive San Francisco restaurant] for dinner." Harry Schwartz, writer in residence at Colum-

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GTE

Christmas is A Jewish Holiday (or at least it should Be)

Now isn't Christmas supposed to be the
celebration of the birth
of the greatest Jew who ever lived?

Y'shua (that's the Jewish way to say Jesus), was
born in a very Jewish place — Bethlehem,
to a very Jewish mother — Miriam,
for a very Jewish purpose — the salvation of the world.

Maybe some are turned off to Christmas because of
mistletoe, merchandising and media hype.

Maybe others could celebrate Christmas
if Santa Claus wasn't crowding Y'shua off the scene.

But most people avoid Christmas because
they don't know Y'shua. Y'shua wants you to know him.
How about taking time this Christmas to
discover the reason for the season?

A reminder from **Jews for Jesus**, Suite 82
60 Haight Street, San Francisco, CA 94102

bia's College of Physicians and Surgeons, maintains that "people simply do not realize the costs of health care. In making medical care seem free, we've made people demand the best. Necessary care is what healthy people on the outside are willing to allocate to us. The best care is what we think we are entitled to. What we've done is build ourselves a system in which no one thinks of the cost of a particular form of care or whether the cost is justified." Schwartz's conclusion: "If you want to cut the costs of health care, you do it by denying people free care."

Financial triage of various sorts is already taking place even among fully insured patients in the best hospitals. In one New Jersey hospital, for example, there were two thoracic surgeons who did a number of bypass operations. One screened his patients carefully, rejecting smokers, overweight people and other risks; the second accepted sicker patients, including several whom the first had rejected. The second doctor's patients had to stay in the hospital an average of five days longer, and when that showed up on the hospital's computers, his privileges were withdrawn on the ground that his work cost the hospital more than insurance carriers were willing to pay.

Despite various criticisms of expensive novelties like the artificial heart, very few scientists see any possibility of retreating from high-tech medicine, which has the glamour that attracts talent, money and publicity. Very few think such a retreat desirable. Most argue that a number of now standard procedures were once regarded as extravagant: the cardiac pacemaker, for example, or the coronary-bypass operation. The artificial kidney, by now commonplace, was attacked 20 years ago in the *Annals of Internal Medicine* in words much like those now being applied to the artificial heart: "How much money should be diverted by society into an expensive procedure that can only deal with a very small fraction of the potentially suitable patients?"

Dr. Denton Cooley, the pioneering Houston heart surgeon, argues that even if the artificial heart ultimately fails, "spin-offs from that type of research would be invaluable. There would be development of new valves and so forth." Michael Hess, professor of internal medicine at the Medical College of Virginia, takes a similar view, though quite cognizant that it is the traditional scientific plea for funds. "This is a case of spending money on research that will be useful in the future," he says. "Only God knows when the future is in this profession, but you have to start somewhere."

Wherever science starts, the Government generally follows. "Let's face it," says Abram, "the Government will end up paying a major portion of the medical bill no matter what happens. That's the way Americans want it. We have never sold seats on a lifeboat, and I don't think we're willing to start now." Albert Jonsen, a professor of bioethics at the University of California, San Francisco, has been serving on a Government panel studying the costs of heart transplants and artificial hearts. Does he think the Government should pay? No. Does he think it will eventually have to pay? Yes.

"It's disgraceful that we are not dealing with more fundamental issues than these big-ticket items," says Jonsen, who estimates the prospective costs of heart replacements at $3 billion and the average increase in the lives of the patients at only three years. "There are lots of people dying, and they are dying because they are not getting adequate care. But once these expensive operations are available, is it fair to people who can't afford them that they should die while those who can afford them live? You can't have that kind of unfairness. That's why the Federal Government will be pulled in."

PERLSTEIN—PICTURE GROUP

Stormie Jones, 7, is doing well ten months after a heart-liver transplant

PERLSTEIN—PICTURE GROUP

Mary Cheatham, 17, will undergo the complex double operation next

And as it does get pulled in, many doctors hope that some form of public dialogue and debate will emerge on what should be done. Says Cardiologist Preston of Humana's venture into artificial-heart surgery: "A very small group of people are setting a policy, establishing a method of practice that is taking an inordinate amount of resources without gaining public approval. The public has a right and should be involved in these decisions. There should be some process for deciding these things rather than following the whims of some research team."

Among all the scientific anxieties, however, Princeton Economics Professor Uwe Reinhardt takes a determinedly cheerful view of the prospects. "Where is the crisis?" he says. "I have yet to see any real signs of it." Reinhardt predicts that health-care costs could grow from the present 10.8% of G.N.P. to 12% or 13% before public opposition became serious. "Americans will get disillusioned with defense spending long before they are disillusioned about spending money for health care."

If any such disillusionment does come, he believes, the solution is to cut back not on advanced research but on overused routines: hysterectomies, annual X rays, marginally useful laboratory tests. The Government is already following a similar line of attack for Medicare patients by reimbursing hospitals at fixed rates for many medical procedures.

How high a price for modern medicine is too high a price? There is, as usual, no clear answer. The problem itself reflects a paradox best stated by French Novelist André Malraux: "A human life is worth nothing, but nothing is worth a human life." —*By Otto Friedrich. Reported by Barbara B. Dolan/Louisville and Dick Thompson/San Francisco*

Carefully watched by Dr. William DeVries and applauded by the Humana medical team, William Schroeder takes his first tentative steps

High Spirits on a Plastic Pulse

Schroeder's joviality and fast recovery astound his doctors

The metal-and-plastic heart whirred and clicked in an eerie, mechanical rhythm as Dr. William DeVries, 40, removed the tracheal tube from his patient's throat. For the first time since his artificial heart had been implanted about 36 hours earlier, William Schroeder, 52, could breathe on his own and speak. "Can I get you something to drink?" the doctor asked. Replied Schroeder: "I'd like a beer." It was. DeVries admitted afterward, one of the high points of the tension-filled hours following his second successful attempt to implant an artificial heart.

Schroeder had to settle for a glass of ice chips, but that did not dampen his spirits. Later he demanded to know the time. "Six o'clock," replied DeVries. Schroeder looked skeptically at the lanky surgeon who had saved his life, pointed to a clock on the wall and wagged a finger. Wrong, he said. The clock showed that it was only five minutes before the hour. No question about it, less than two days after undergoing two arduous operations, Bill Schroeder, a retired Government quality-control inspector from Jasper, Ind., was as sharp as a tack and feeling frisky.

By week's end the world's second recipient of an artificial heart was getting out of bed and sitting in a chair, eating solid foods—warm porridge and cottage cheese—and sipping that longed-for beer, which he promptly dubbed "the Coors cure." Well-wishers had sent cases of the Colorado brew and other brands, in addition to crateloads of cards, plants and bouquets, even a Cabbage Patch doll.

On Friday Schroeder tested a new portable power system for the artificial heart. For 22 minutes in the afternoon, and an hour later that evening, he was free of the 323-lb., air-driven unit that normally runs the heart, and was hooked up to a small, 11-lb. device encased in a leather shoulder bag. The portable system worked flawlessly though there were two breathless 3-sec. intervals when the heart stopped beating, as technicians switched from one system to the other. Afterward, Schroeder thanked the inventor of the device, Engineer Peter Heimes of Aachen, West Germany, and shook his hand. Then he asked for some ice cream.

Doctors at Louisville's Humana Hospital Audubon were astounded by Schroeder's rapid progress and by his good humor, which, noted Dr. Allan Lansing, medical director of the hospital's heart institute, "is more important in his recovery than most medicines." Even when he was wincing in pain as attendants tried to weigh him, Schroeder managed to get off a one-liner. "I'm going to remember this," he griped at the staff. "I want the name of everybody in this room, starting with the big guy," he said, pointing at the 6-ft., 5-in. DeVries. In the view of Schroeder's wife of 32 years, Margaret, her husband appeared to be "more comfortable" last week "than he had been for months before the implant." She told a news conference, "Once we went down toward that operating room, I was relieved because I felt that my husband was fading away from me, and now I feel I have him back again and that I have another chance."

WILLIAM STROEBEL—BLACK STAR FOR HUMANA INC.

Sipping a can of beer and reading a get-well card

Taking the "Coors cure" as an aid to recovery.

From the beginning, Schroeder's treatment seemed to go more smoothly than that of his predecessor, Seattle Dentist Barney Clark, the world's first recipient of a permanent artificial heart. Clark's surgery and his 112 days of life with the man-made pump were fraught with life-and-death crises. "I felt certain that he would die on the operating table," reflected Dr. Robert Jarvik, 38, designer of the Jarvik-7 heart used in both patients. This time, he said, "I felt the opposite."

In Clark's case, surgery was complicated by the fact that the heart tissue was so damaged by years of treatment with steroids that it tore like tissue paper in DeVries' hands. To make matters worse, when the artificial heart was implanted, it failed to function properly, and a stand-by left ventricle had to be substituted. DeVries felt so frustrated, he later admitted, that "I would have picked up the artificial heart and thrown it on the floor, if the press had not been there."

In contrast, said Jarvik, Schroeder's surgery was notable for "a great feeling of deliberate, calm progress," making it seem "almost routine." The only difficulty came in removing the diseased heart, which was surrounded by a thick envelope of scar tissue, the legacy of bypass surgery performed less than two years ago. "The scarring made it difficult to identify structures," explained Lansing, who assisted in the operation. "It's like looking through a fog." As a result, instead of taking the usual five minutes, it took half an hour just to extract the organ. Once that was accomplished, DeVries easily installed the Jarvik heart, using the technique he had practiced and honed on hundreds of animals.

The first real drama of the day came about an hour after surgery when Schroeder was suddenly jolted into consciousness and, terrified by all the activity around him, tried to bolt from the bed. Doctors restrained him and increased his sedation. Five hours later they confronted a more serious problem: an alarming amount of fluid was building up in Schroeder's chest cavity and lungs and his skin was turning bluish-gray, a sign that not enough oxygenated blood was being circulated. They rushed him back to the operating room to find that he was hemorrhaging along the row of stitches connecting the artificial heart to his aorta. Doctors stanched the flow by applying pressure and clotting agents, but not before Schroeder had lost a massive amount of blood. By the next day, however, Lansing reported that the patient was back on track: his blood pressure was normal, his heartbeat steady and, he added, "where his skin was cold and gray and clammy then, it is now warm and pink and dry."

It was a stunning improvement over Schroeder's condition before surgery. According to Humana doctors, Schroeder has truly cheated death. Without the Sunday-morning implant, he "would not have survived the weekend," says DeVries. "Saturday night, I was very worried."

The Humana surgical team during the operation to implant the world's second artificial heart


With the mechanical heart in place, a happy DeVries, below, talks with staff and the patient's family

The Utah heart-drive system, foreground, keeps alive the pulse of the recuperating Schroeder

Doctor helps Schroeder hear his new heart

Medicine

Like Clark before him, Schroeder had entered the hospital suffering from the final stages of cardiomyopathy, a progressive weakening of the heart muscle. While the cause of Clark's condition was unknown, Schroeder's was due to the most common form of heart disease: atherosclerosis, a narrowing of the arteries that chokes off the blood supply to the heart.

Up until about two years ago, Schroeder had lived a normal and active life. He was a popular figure in Jasper, a tightly knit farming community of 9,900 people, mainly of German-Catholic heritage. His home—a modest, white frame house with yellow plastic flowers hanging on the door—had been his father's before him; Schroeder's two brothers, ten aunts and uncles and numerous cousins all live within ten miles. After graduating from Jasper High School, he spent 15 years in the Air Force, serving as a flight controller, mostly overseas. He returned to Jasper in 1967 to provide a more stable life for his six children: Monica, 31, Melvin, 30, Stan, 27, Terry, 25, Cheryl, 21 and Rod, 19.

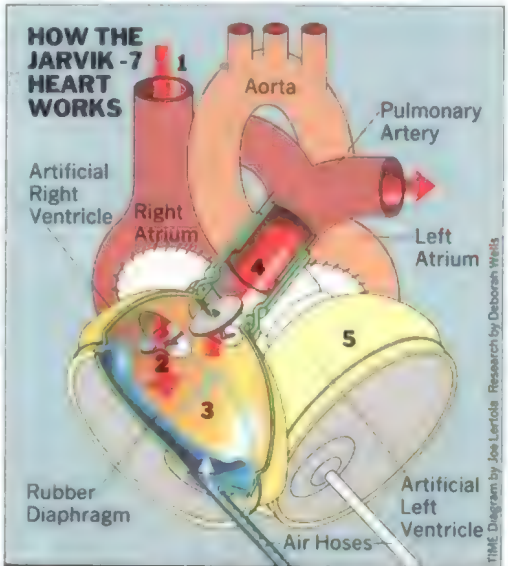
He took a job as a production worker at the Naval Weapons Support Center in nearby Crane, Ind., and rose to quality-control specialist. He was active in the American Federation of Government Employees, eventually becoming president of the chapter representing Ohio, Kentucky and Indiana. His former boss, Dick McGarvey, describes him as a "tough negotiator" and as "a good friend." Schroeder was also a leader in the Knights of Columbus, a Catholic fraternal society.

In January 1983, Schroeder's busy family life and career were disrupted by a massive heart attack, which seriously damaged his heart muscle and left him crippled with angina, or chest pain. Two months later he underwent double-bypass surgery. The operation helped relieve his angina but failed to check the deterioration of his heart; he was forced to retire from his job. Over the next 18 months, his condition continued to deteriorate. In June 1983 he called together some 220 members of the Schroeder clan for a reunion at a local club. Although Schroeder played master of ceremonies and joked with his relatives, the gathering was a kind of farewell party. By this autumn, the once vigorous man was largely bedridden, unable to walk 20 ft. without chest pain and shortness of breath. At night, he would awake gasping for air.

Ordinarily a man in this condition might be a candidate for a heart transplant, but Schroeder had two strikes against him. First, at 52, he was two years over the age limit set by most heart-transplant centers. Second, like 12 million other Americans, he suffers from diabetes, which is also grounds for disqualification. "If he received a transplant, the antirejection drugs would just throw his diabetes out of control," noted Dr. J.P. Salb, the Schroeders' family physician. It was Salb, along with Schroeder's cardiologist, Dr. Phillip Dawkins, who suggested that he look into the possibility of an artificial heart. By chance, DeVries, the only surgeon authorized by the Food and Drug Administration to implant the device, had moved this summer from the University of Utah Medical Center in Salt Lake City to Humana Hospital Audubon, about 70 miles east of Jasper.

Almost from the moment he set foot in Humana Hospital on Nov. 8 to meet DeVries and Lansing, there was no question about what Schroeder wanted. He made a tape of the meeting and played it for his family the next day. "We just kind of sat down and asked, 'Dad, what do you want to do?' " recalled Margaret Schroeder. "He said, 'I have no other thought. I want to go all the way.' " Schroeder's family and his clergyman supported his decision. Said his brother Paul: "He had the choice between life and death, and he chose life."

As a man in the final stages of terminal heart disease, Schroeder met the main criterion for receiving an artificial heart. In addition, the patient-selection committee at Humana was impressed with what Lansing called his "pure, small-town, mid-America background" and strong family support. They were worried, however, about Schroeder's secondary health problems. In recent months his diabetes, once controlled by diet, had become more serious and required daily injections of insulin. Doctors at Humana believed the problem was relat-



1. Blood flows into atrium. **2.** It enters artificial right ventricle through one-way valve. **3.** Air, pumped through hose attached to external power supply, inflates rubber diaphragm, forcing blood out. **4.** It passes through second one-way valve and into the pulmonary arteries. **5.** Oxygenated blood returns from the lungs to the artificial left ventricle and is pumped into the aorta for distribution to the rest of the body.

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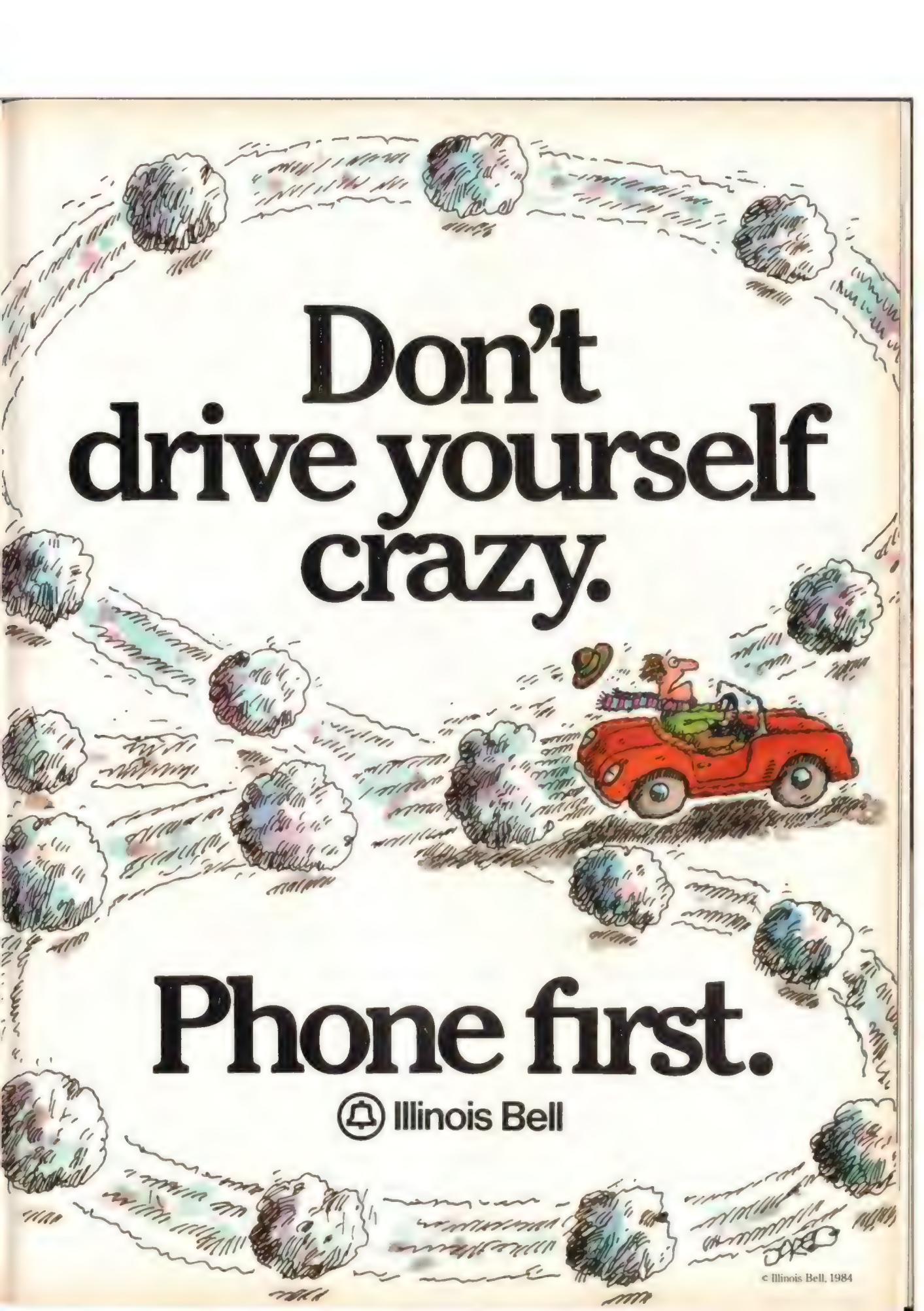

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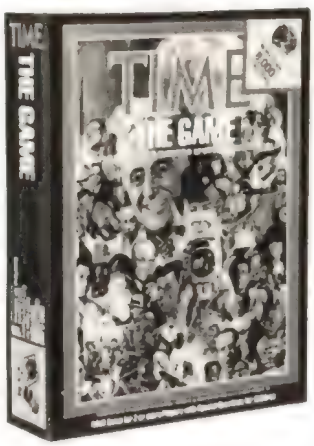

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ed to infections in six of his teeth and in his gallbladder, which was inflamed by the presence of gallstones. Before the implant could be approved, these sources of infection had to be removed. The teeth were pulled and, just eight days before the implant, Schroeder, despite his fragile heart, underwent surgery to remove the gallstones. His need for insulin promptly declined, and the hospital gave the go-ahead for the artificial heart.

Schroeder and his family were made well aware of the risks of the procedure in a 17-page consent form spelling out in detail everything that could go wrong. The document had been expanded since the days of Barney Clark to include the medical problems that Clark had suffered, including brain seizures and serious depression. The last was included because Clark had complained to psychiatrists that he wanted to die, that his "mind was shot" and that he found it enormously disappointing to wake up and find that he was still alive with the artificial heart pounding away in his chest. DeVries revealed last week that before Clark's surgery, a group of doctors had actually tried to talk their patient out of the operation as a means of testing his will. "We didn't do that this time," said DeVries. But doctors did describe the risks to Schroeder in what DeVries termed "very graphic language such as 'becoming a vegetable.' " Schroeder, like Clark before him, remained devoutly willing. "I trust you," he told DeVries just before surgery. Nonetheless, he was prepared to die and received the last rites of the Roman Catholic Church from a home-town priest the night before the implant operation.

DeVries had waited nearly two years for a second opportunity to implant the artificial heart. The long delay tried his patience. "It was very frustrating to me to have patients who might die while I have that thing sitting on the shelf," the surgeon told a reporter last January. Because of the medical problems that Barney Clark had experienced, both the FDA and the University of Utah hospital where the first implant surgery was performed wanted to reconsider any further use of the device. DeVries pressed both hospital and agency for permission to use the heart in a somewhat healthier patient than Clark, who had suffered from both lung and heart disease. It was not until June of this year that the FDA finally consented, allowing a total of six implants on healthier patients. Meanwhile, the University of Utah had authorized only one operation, a decision that infuriated DeVries and was partly responsible for his decision to move on to Louisville.

The forthright and unconventional DeVries had spent virtually his entire career at the University of Utah. Born in Brooklyn, the son of a doctor and a nurse, he had moved to Ogden, Utah, as an infant after his father's death in World War II. DeVries attended medical school at the state university and became interested in the artificial heart after accidentally wandering into a lecture by Dr. Willem Kolff, the Dutch-born doctor who founded Utah's artificial-organ program. After the lecture, DeVries asked Kolff for a job. "What's your name?" the distinguished doctor asked him. "When I told him," DeVries recalls, "he said, 'That's a good Dutch name. You're hired.' " The surgeon's move from a university hospital to the profit-making institution in Louisville was criticized by his peers. It also forced him to uproot his brood of seven children and leave behind his beloved Rocky Mountain ski slopes. Nonetheless, DeVries expresses no regrets about coming to Humana: "I have been able to set up this project exactly the way I wanted to, and what's more important, I have been able to select the patient without consideration of whether he can pay his bill," said DeVries last week.

Indeed, for Schroeder, a man of modest means, cost has not been an issue. Humana paid for the $15,500 Jarvik-7 heart and its drive system. They also provided free rooms at the hospital for the entire Schroeder family. Should Schroeder become well enough to leave the hospital, Humana plans to give him use of a specially designed house, with a built-in air system for his heart. Throughout, Humana has spared no expense and taken no risks. Because security had been a problem during the Clark case—two artificial hearts were stolen from DeVries' office—the hospital has posted four uniformed guards on Schroeder's floor, one directly outside his room. Concerned about the strain of the patient's long hospitalization and the intense media coverage, Humana is providing his family with instruction in "stress management."

For Schroeder's doctors there is much stress ahead as they worry about their patient's survival. DeVries told reporters last week that he will worry for as long as Schroeder lives about the risk of infection, which is a greater problem for diabetics, or about a breakdown in the equipment. "We live on the edge of possible disaster at any time," he said. By applying the lessons learned from Barney Clark, DeVries hopes that certain earlier calamities can be avoided. For example, because Clark's brain seizures were attributed to the sudden increase in blood circulation following surgery, doctors are taking a more gradual approach to increasing Schroeder's heart rate. In addition, since one of the valves used in Clark's heart broke two weeks after the heart was implanted, Schroeder's heart contains valves of a different make, which, DeVries says, are "substantially stronger."

A few other changes in equipment have been made: the heart's drive system, though still unwieldy, is 52 lbs. lighter than it was two years ago. Better yet, the new portable pump system may eventually free Schroeder from the contraption for several hours every day. "I think it's the beginning of the end of the view of the artificial heart as a cumbersome device that doesn't give people the type of life they really need," observed Jarvik after the first successful use of the device. According to Jarvik, other improvements in the technology are on the horizon. The current heart, which weighs three-quarters of a pound, is too large to fit in most women's smaller chest cavities; its successor, the Jarvik-8, will ultimately be available in more than one size, including a streamlined model for people with small frames.

DeVries wistfully expressed the hope last week that his patient would be home for Christmas, although he quickly acknowledged that it was "very, very unrealistic." For the Schroeders, every extra heartbeat was gift enough. "It's different, but at least it's beating, and I can feel it," said his wife Margaret. Added their son Melvin: "He's just the old Dad again." — *By Claudia Wallis. Reported by Barbara B. Dolan/Louisville*

A tired but triumphant DeVries relaxes in Humana office after his historic heart implant

Success after two years of having "that thing sitting on the shelf."

Earning Profits, Saving Lives

Humana offers proof that health is a sound investment

The sight of William Schroeder joking with his family last week was the best possible advertisement not just for the miracles of science but for Humana, the investor-owned medical conglomerate. In the fast-growing U.S. health care industry, investor-owned companies are challenging nonprofit organizations and community hospitals for a greater share of the nearly $1 billion-a-day business. Profitmaking companies now own or manage more than 20% of all U.S. hospitals, double the percentage of five years ago. Moreover, they are moving rapidly into affiliated areas such as health maintenance organizations, satellite clinics and surgical-equipment firms.

Humana (fiscal-year 1984 revenues: $2.6 billion) is the most aggressive of the companies that believe medicine is a calling for businessmen as well as doctors. But though it has 91 hospitals in 22 states and three foreign countries, Humana is not the largest hospital chain. Still bigger, for example, is Hospital Corp. of America (estimated 1984 revenues: $4.2 billion). Last year Humana had profits of $193 million, up from $41 million in 1979.

Two Louisville lawyers, David Jones and Wendell Cherry, started Humana in 1962 with one Kentucky nursing home and $1,000 of borrowed money. Their business strategy was to bring innovative management techniques to a field noted more for compassion than cost efficiency. Says Cherry: "When I started to talk with physicians about what we were doing—marketing to the customer—some didn't like the word customer."

Jones and Cherry: treating patients as valued customers

Known as Heritage House of America at first, the company by 1968 had ten nursing homes and revenues of $4.8 million. That year Jones and Cherry realized that hospitals were earning six times as much per patient as nursing homes because of Medicare and Medicaid reimbursements, so they built their first hospital. In 1968 the company made its first public stock offering at $8 a share.

In 1972 Humana sold its nursing homes, then numbering 41, for $14 million in order to concentrate on hospitals. Jones and Cherry at the time were buying a hospital a month, mostly from groups of doctors. Investor-owned hospitals were not a new phenomenon; doctors had been running them for decades. What was new was the idea of linking them in large chains.

Today Humana has general hospitals from Geneva to Anchorage. Though Jones, 52, and Cherry, 49, resist the notion that their chain was modeled on the McDonald's restaurant company, the two corporations are based on similar retail philosophies. Humana's guidelines: consistency, quality and high-volume, affordable care.

The company has used sales techniques, including advertising, promotion and market research, that are familiar to business, but that were often foreign to health care. Dr. William VonderHaar, a former director of Humana's health services division, was impressed by the chain's managers: "They are amazing to watch. If they open a facility in, say, Columbus, Ohio, they might initially plan to have 25 patients a day and after six months so many more. And they always come out within plus or minus two patients." Like Federal Express and A T & T, Humana stresses experience and reliability in its advertisements. In one television commercial for an insurance program that it markets, a salesman representing the competition tap-dances across a personnel manager's desk. Moral: while most health care programs offer a song and dance, Humana delivers.

Indeed, the company produced results last year when it took over management responsibilities for the money-losing University of Louisville medical school complex. Humana introduced a strategy to cut costs and still boost quality. A survey of staff physicians showed that lab tests were being ordered in triplicate because the doctors doubted the reliability of the results. In response, Humana upgraded lab equipment, increased staff training and established tough quality-control procedures. Doctors are now satisfied with single tests in most cases. The company also reduced hospital staff costs 17% by using flexible work schedules to adjust employees' hours for fluctuations in the number of patients. By the end of the first year, Humana showed earnings of $1.1 million on the complex. Under the provisions of its contract, the company gave $220,000 of its profits to the university.

Having earned a reputation for efficient management, Humana is striving to be a pacesetter in patient care. During the past two years, the firm has opened eleven Centers of Excellence, clinics that combine research, teaching and state-of-the-art treatment in different medical specialties. When Olympic Gold Medal Gymnast Mary Lou Retton suffered a knee problem just two months before the Los Angeles Games last summer, physicians at Humana's Richmond orthopedic center performed arthroscopic surgery to remove two small pieces of cartilage. Other centers focus on obstetrics and gynecology (Tampa), burn treatment (Augusta, Ga.) and diabetes (San Antonio).

Humana also aims to satisfy simpler medical needs. Since 1981 it has opened 80 neighborhood facilities under the name MedFirst. These small clinics perform procedures that do not demand hospitalization. Examples: fixing broken noses, wrapping sprained ankles, treating minor burns or lacerations. Patients like the centers because they are conveniently located on street corners and in shopping malls, and are open on weekends and in the evenings. By next September, there will be 120 more MedFirst offices.

Last year Humana launched an insurance plan for companies as a way of boosting business in its hospitals. Humana Care Plus guarantees employers that their medical costs will rise no faster than the Consumer Price Index for at least four years. Health care prices are currently rising more than twice as fast as the CPI. Employees enrolled in the insurance plan can use any hospital, but the deductibles they pay will be lowest if they choose a Humana facility. More than 200 companies and organizations have enrolled about 65,000 people in the program.

One difference between nonprofit hospitals and companies like Humana is that the large chains usually make better use of cost-cutting measures, including centralized billing and inventory controls. They can get the benefits of economies of scale by buying bandages and other supplies in huge volumes at discount prices. Profitmaking hospitals have no monopoly on cost-effective management, but they

have more incentives. Says Humana Chairman Jones: "Making a profit is never an end. It's a requirement. Any hospital has the same opportunity we do."

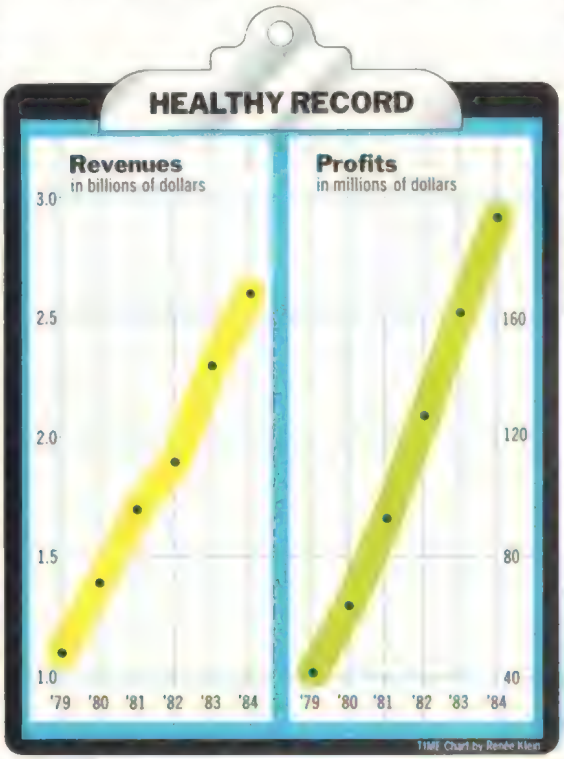
Investor-owned corporations also have advantages in raising money. As medicine has become more capital intensive with the influx of expensive high-technology devices, hospital administrators have had to look for new sources of funding. Industry experts estimate that U.S. hospitals will spend about $163 billion on plant and equipment in the 1980s. Traditional types of revenue, such as philanthropy, tax-exempt bonds and public subsidies, are no longer enough. For-profit hospitals with good balance sheets, however, can raise money by selling stock.

Humana's heart program is an example of how a corporation can use its resources to develop a new field of medicine. Its Heart Institute had been open less than a year when the company decided in June to work on the mechanical heart. Institute Director Allan Lansing, an open-heart surgeon, had told Jones that Dr. William DeVries, who performed the first permanent artificial-heart implant, on Barney Clark at the University of Utah in 1982, might be willing to come to Louisville to pursue his research.

With Jones' support, Lansing courted DeVries as ardently as any coach ever wooed an All-Stars pitcher or a Super Bowl quarterback. Lansing said that DeVries would benefit from a substantial clinical practice and a first-rate surgical support team. To help convince DeVries, Humana flew him and his wife to Louisville. At a dinner on the porch of Lansing's home, Jones asked DeVries, "How many hearts do you need to find out if it works? Would ten be enough?" As a flabbergasted DeVries indicated that ten would be good, Jones added, "If ten's enough, we'll give you 100." That sealed the deal. The research physician's dream of having ample resources and a free hand had come true. Says Jones: "Dr. Lansing told us that Dr. DeVries was unhappy because he had to spend so much time fund raising. I told Dr. Lansing we could handle that problem easily."

The unprecedented offer, and DeVries' acceptance, shook the hospital community. Some medical researchers are merely envious, but others have a variety of reasons for concern. "There is a significant anti-Humana feeling out there," says Nolen Allen, former chairman of the University of Louisville hospital. "But it is not just Humana. Doctors sense that they are losing control of medical care and that hospital administrators and companies are taking over. At one time, the doctors were kings. That may not be true any more; they are becoming more like employees." Agrees VonderHaar: "It's the same fear the mom-and-pop grocery stores had when Krogers came to town. And I guess they were right."

Administrators of academic research programs are worried about a brain drain. If star doctors and grant winners like DeVries can be lured away by conglomerates, what will keep the younger researchers in the universities? Says Dr. Don E. Detmer, vice president of health sciences at the University of Utah: "There's no question that if a place like Humana goes after our programs, we can't compete." Academics also wonder if the willingness of corporations like Humana to invest in research will make it harder for schools to win public funding. They fear that state legislatures and federal agencies may become more reluctant to spend limited resources for projects that could be done by profitmaking companies.



Humana prepared for its first artificial implant with a promotion campaign as elaborate as one that General Motors might use for launching a new model. Before the Schroeder operation, Humana public relations specialists consulted with officials at the University of Utah on the press interest that might be expected. The company rented space for a press headquarters in the Commonwealth Convention Center in downtown Louisville and produced seven informational videotapes about the operation.

There is no question that Humana's financing will give the field of heart-implant research a major boost. Federal health care officials welcomed the company's plans. Said Carolyne Davis, chief of the Health Care Financing Administration, which directs the Medicare and Medicaid programs: "Given the country's limited health care dollars, it is important that we have medical research done in the private as well as the public sector."

Even so, some doctors believe that mixing the profit motive with the Hippocratic oath is a poor way to provide medical care. Dr. Arnold Relman, editor of the *New England Journal of Medicine*, criticizes companies like Humana, saying that they are "industrializing medical care" and are more interested in turning a profit than providing health services. Relman argues that the chains will eliminate necessary medical programs rather than take a loss on them.

Others, though, say that this position is, well, Hippo-critical. They point out that doctors, as some of the best-paid professionals in America, can hardly contend that they have not profited from medicine. Princeton Economist Uwe Reinhardt, who is participating in a study of for-profit health care, says that so far he has not seen much difference between the behavior of commercial and nonprofit hospitals. Says he: "Hiring big names is good business and good academics. It's one way to achieve a certain luster. DeVries and the artificial heart give Humana legitimacy in the medical world and put its name before prospective patients. Nonprofit institutions have always done this."

Relman believes that for-profit hospitals skim paying patients from the community, depriving other institutions of needed revenues and leaving the poor for the nonprofits to worry about. There is some evidence to support this charge. Investor-owned hospital chains generally follow a policy of sending indigent patients to nearby community hospitals when possible. Humana Spokesman Robert Irvine points out that people who cannot pay are not turned away from the University of Louisville facility, but defends the right of the firm's other hospitals to refer indigents to nonprofit and community institutions. Says he: "We're paying money through our taxes to support those hospitals. Those being paid to do it should be the ones to handle it."

While doctors and hospital administrators debate the ethics and merits of for-profit medical care, Wall Street considers it a good investment. John Hildelong, an analyst for Dillon, Read, calls Humana an "attractive long-term" stock. Merrill Lynch is bullish on the whole medical field. Says one of its top stock market strategists: "The health business is bound to be good. People want good medical care, and there will always be a demand for the services that health care corporations provide." For Humana, that sounds like a prescription for continued healthy profits. ***—By Janice Castro. Reported by Teresa Barker/Louisville and Peter Stoler/New York***

CIA *vs.* ABC

Trying to punish a network

The two-part investigation, broadcast to viewers of ABC's *World News Tonight* last September, was bizarre by any measure. Scott Barnes, who has sometimes presented himself as a "paramilitary expert," claimed he had taken a job as a prison guard in 1983 at the request of the CIA to watch Ronald Rewald, a Honolulu investment counselor who is under indictment for defrauding approximately 400 investors of $22 million. Barnes said that the CIA then told him, "We gotta take him out." According to the ABC show, Rewald's company had provided cover for several CIA operations, including the arrangement of secret arms shipments to Syria and Taiwan. The CIA denied the story, and two weeks ago ABC issued a "clarification." Barnes had refused to take a lie-detector test, said ABC Anchor Peter Jennings, and checking showed that his "charges cannot be substantiated and we have no reason to doubt the CIA's denial."

ABC's statement has not satisfied the intelligence agency, which took the unprecedented step of filing a complaint with the Federal Communications Commission. The CIA charged that ABC violated the FCC's Fairness Doctrine by broadcasting "outlandish statements" in "reckless disregard for the truth." (The fairness regulation requires that broadcasters "afford reasonable opportunity for the presentation of contrasting viewpoints.") The CIA took the unusual action because the Supreme Court has indicated that federal agencies cannot sue news organizations for libel. In its complaint the CIA asked that the FCC order ABC to retract "all false allegations," and that it consider not renewing the licenses of the stations the network owns.

Determining the truth of the ABC story may prove difficult because the CIA's link with Rewald is murky. At the agency's request, a U.S. district-court judge in Hawaii has sealed all documents in a federal proceeding involving the investment counselor on the grounds of national security. CIA Spokeswoman Kathy Pherson says flatly of Barnes, "The CIA has never had any relationship" with him.

More troubling to lawyers is a constitutional question: whether the Government can penalize allegedly false criticism of one of its operations by withdrawing the license of a station. Declares First Amendment Expert James Goodale of New York University Law School: "The approach by the CIA is heavyhanded and shows that it doesn't understand the law." Lawyer Floyd Abrams, who represents the media in many First Amendment cases, agrees, saying, "The remedy for the CIA is to participate in controversy and discussion in the court of public opinion." ■

Newswatch/Thomas Griffith

Truths Heard and Unheard

On his first day on the witness stand, General William C. Westmoreland described how he made frequent visits to his field commanders in Viet Nam to hear their briefings and get firsthand impressions. He used the word briefings as an old soldier would, perhaps not even aware of its connection to his $120 million libel suit against CBS. For briefings are also what journalism is about—gathering facts, asking questions and then briefing a public that hasn't the time or the patience to hear it all.

Did CBS choose unfairly to prove a thesis when it reduced hours of taped interviews to make a 90-min. Viet Nam documentary in which General Westmoreland came off looking bad? In a paneled and marbled federal courtroom in Manhattan, television screens are arrayed so that judge, jury, lawyers and spectators can see replays of what CBS chose and what it disregarded. This unusual behind-the-scenes look at the editing process disturbs the press—reporters think they should be judged by their printed stories, not by their notes; television producers by the footage they used, not by rejected outtakes. Back in 1964 the Supreme Court ruled, in a case that the press hailed as a great victory, that a public figure suing for libel must prove not only that a statement was false but that it was made knowing it to be false "or with reckless disregard of whether it was false or not." But how else can one tell whether the writer or editor knew something to be false without knowing what was in his mind, or knowing what he had to go on? And thus the *New York Times Co.* vs. *Sullivan* decision of 1964, which was never intended to do the press a favor—it was meant to ensure that public debate should be "uninhibited, robust and wide-open"—has since been giving the press a lot of trouble. Lawyers can now call up notes, unused film and memos to ask a witness why he chose one quote and not another, and to attack each choice as prejudiced.

Westmoreland close-up on CBS

Selection itself is no proof of bias, it is merely a necessity: the millions of words a newspaper receives must be reduced to the thousands it prints; hours of tape must be fitted to the time constraint of a half-hour news program. The bias, if there is one, is less apt to be in ideology than in choosing what will most interest the audience or document the thesis the journalist has found in the material.

CBS finds itself with several awkward problems, whether or not Westmoreland can prove that he was libeled. In his recent autobiography, Mike Wallace describes how as a young actor and talk-show host turned interviewer he first developed his talent for skewering his subjects. Among other techniques, "we used searching, tight close-ups to record the tentative glances, the nervous tics, the beads of perspiration." This is how many viewers will remember Wallace's devastating questioning of Westmoreland. When that Viet Nam program was first criticized, CBS commendably ordered up its own in-house critique, which, though standing by the program, found it seriously flawed. That report later had to be turned over to the opposing lawyer. When courts permit libel lawyers to pry so deeply into the news-gathering process, the press is tempted to operate like a fly-by-night bookie, keeping no records that might later embarrass it. This is a clumsy way to do business. But it is a lesson the press itself has already taught public officials, who find their most confidential memos later made public, and then spread over the front pages, under the Freedom of Information Act.

The final irony is that CBS is being sued for doing what CBS itself first accused Westmoreland of doing. CBS said that in Westmoreland's briefings of the Pentagon and the President, the general kept from them, with doctored figures, the true state of affairs in Viet Nam. Now in court Westmoreland seeks to prove that CBS knowingly distorted the record in the case it made about him. As the costly trial unfolds, the reputations of both are being damaged.

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Education

Powerful Pitch for the Humanities

A scholarly panel calls for a return of culture to the curriculum

"The purpose of a college education was once to enlarge and illuminate one's life," declared William J. Bennett, chairman of the National Endowment for the Humanities, last week. But according to a toughly worded N.E.H. document just released over Bennett's signature, that high purpose is all but abandoned. The study, titled *To Reclaim a Legacy: A Report on the Humanities in Higher Education*, offers persuasive evidence that the humanities "have lost their central place in the undergraduate curriculum." At too many campuses, the report asserts, students are hustling through a "self-service cafeteria" of unrelated courses, not with the purpose of becoming illuminated but, says Bennett, "just to get a job."

TERRY ASHE

Bennett: living testimony to the legacy

Among the N.E.H. findings, assembled by Bennett and a distinguished 31-member panel of scholars and other authorities on education:

▸ "A student can obtain a bachelor's degree from 75% of all American colleges and universities without having studied European history; from 72% without having studied American literature or history; and from 86% without having studied the civilizations of classical Greece and Rome."

▸ "Fewer than half of all colleges and universities now require foreign language study for the bachelor's degree, down from nearly 90% in 1966."

▸ "Since 1970 the number of majors in English has declined by 57%, in philosophy by 41%, in history by 62% and in modern language by 50%."

Furthermore, a large number of top professors are concentrating on narrow, specialized fields of learning, delegating the teaching of residual first- and second-year humanities courses to "underpaid flunkies," *e.g.*, graduate students and part-time instructors. The overall consequence, claims the study, is that millions of students have been coming out of college "lacking even the most rudimentary knowledge, about the . . . foundations of their nation and their civilization."

Bennett's scathing report, coming only a month after a much broader critique by the National Institute of Education on the decline of U.S. undergraduate learning, lays particular blame for the humanities' low estate upon "those of us whose business it is to educate these students." The academic concession to student pressures for so-called relevance or job-related courses is branded "a failure of nerve and faith on the part of many college faculties and administrators."

The N.E.H. prescription for this deep malaise is a reshaping of "undergraduate curricula based on a clear vision of what constitutes an educated person." The Bennett report makes plain its own vision: the humanities restored as the centerpiece of a full four-year curriculum. Among the other recommendations: substantial course work on the evolution of Western civilization; "a careful reading" of masterworks of English, American and European literature; a sound grasp of the "most significant ideas and debates in the history of philosophy"; "demonstrable proficiency in a foreign language."

At colleges and universities, initial reactions to the report have been positive—interspersed with some perceptive demurrers. Chancellor Clifton Wharton Jr. of the State University of New York, for example, considers student worries about future jobs to be entirely legitimate. The difficulty, as he sees it, is "in providing job skills and occupational mobility and at the same time providing a broad general education and doing it all in four years."

Though the colleges were unlikely to come up with any quick solutions, there were signs last week that Bennett himself might soon show how a student in the humanities can find a good job after graduation. In the wake of his strong report, some Washington insiders claim that Bennett has a lock on the position of Secretary of Education, left open by the announced resignation of T.H. Bell. Bennett insists that there is "no connection" between the study and the secretaryship, adding, "It would break my heart if it were read that way." On the other hand no one, including Humanist Bennett, claimed he would be brokenhearted if he got the job. —***By Ezra Bowen. Reported by Patricia Delaney/Washington***

Cinema

Murphy leading Reinhold's escape from respectability in *Beverly Hills Cop*

Eddie Goes to Lotusland

BEVERLY HILLS COP *Directed by Martin Brest; Screenplay by Daniel Petrie Jr.*

Detective Axel Foley (Eddie Murphy) has just been busted for disturbing the affluence of Beverly Hills; a few moments before, some bad guys had shattered decorum and a plate-glass window by heaving him through the latter. Now Axel, who hails from Detroit, where the fuzz's lot is mostly scuzz, looks wonderingly around. "This is the cleanest and nicest police car I've ever been in in my life," he murmurs. "This thing's nicer than my apartment." Very politely he requests the arresting officers to pull over if they just happen to spot any movie stars on the way to the station house.

Nor is that the end of the astonishments visited upon him while using some vacation time to investigate the murder of his best old friend. In Beverly Hills, in addition to your Miranda rights, you are apparently entitled to be addressed as "sir" until you are proved guilty and to be interrogated by a policeman wearing a scrupulously buttoned three-piece suit. It comes as a relief to Axel when a questioner gives him a sneak punch in the gut. He takes it as a signal that the traditional basics of police work have not been entirely forgotten among the boutiques and the Mercedes.

Beverly Hills Cop is a comedy of mutual dismay, in which Axel's culture shock over the way his West Coast colleagues gumshoe through Lotusland is matched by their outraged puzzlement over how to handle a streetwise hipster for whom anarchy is both a way of life and an investigative technique. Were Eddie Murphy absent from this movie one might decry its ambling and the failure of writer and director to develop out of a fertile premise either a well-twisted mystery or some truly wild comic turns. But Murphy is very much present, and it could be argued that their task was not so much to provide a taut story line as to create a cheerful climate where his marvelous talent and his compelling yet gracefully stated energy could sprout in all directions.

In this they have succeeded wonderfully. See Eddie pretend he is a very important journalist, terrorizing a snooty hotel into giving him a room despite his lack of a reservation. See him, a moment later, impersonate a delivery boy soft-shoeing his way past a wary receptionist. And watch closely, for in the wink of a camera's eye he is going to be a furious Customs inspector whose bite is worse than his bark. Or a homosexual lisping his way past a posh club's *maître d'* with a particularly mad invention. Murphy exudes the kind of cheeky, cocky charm that has been missing from the screen since Cagney was a pup, snarling his way out of the ghetto. But as befits a manchild of the soft-spoken '80s, there is an insinuating sweetness about the heart that is always visible on the sleeve of Murphy's habitual sweatshirt. It is discernible not only by adolescent females but by case-hardened critics as well.

Since it is almost impossible to take the screen from him, one must pause to salute Judge Reinhold, who wins a couple of scenes on counterpunching jabs as the most innocent of Beverly Hills cops, and Bronson Pinchot, who scores a knockdown as Serge, an art-gallery assistant trying to fight his way to elegance through a Mexican accent as impenetrably thick as the jungles of Yucatán. All the other actors are amiable and professional but essentially just along for a larky ride on a very likable vehicle. —*By Richard Schickel*

Good Time

CITY HEAT
Directed by Richard Benjamin
Screenplay by Sam O. Brown and Joseph C. Stinson

Meanwhile, back in 1933 . . . Prohibition is winding down. The Marx Brothers are winding up (a clip from *Horse Feathers* appears in *City Heat*). And down streets variously garish, mean and vigorously peopled by Richard Benjamin in his richest directorial work yet, stalk two more certified stars, Clint Eastwood and Burt Reynolds, also out for a good time in the action-comedy genre.

They find it—Eastwood perhaps more than Reynolds. If ever a screen character was ripe for self-parody, Eastwood's tough plainclothesman is, and he makes the most of his opportunity. Packing a revolver almost as long as a rifle, betraying emotion only with the baleful flick of an eye, he does not seem to have more than 100 words of imperturbable dialogue, but many of them are comically elegant, coming from this source. "Chagrin," for example. And "ilk." My God, one wonders, was Dirty Harry a closet reader all along? Is Clint Eastwood studying the art of Buster Keaton at night school?

As a private eye lucky enough to have that lovely grownup Jane Alexander as his faithfully pining secretary, Reynolds mostly gets to do what he always does: play a fellow who is not as polished as he thinks he is, but is smooth enough so that heavies in platoon strength take a peculiar delight in roughing him up. This is a part Reynolds has lately taken to playing in his sleep, but he is bright-eyed and alert here. An audience will have to be in the same condition if it hopes to follow an impossibly convoluted plot in which one mob is murderously desirous of obtaining another's crooked books. But not to worry. The bounce and style of this artfully crowded film will conquer all but the sternest *Heat* resistance. —*R.S.*

Reynolds and Eastwood in *City Heat*

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A Library to Celebrate the Holidays

Two dozen volumes provide fresh glimpses of nature, art and faith

The work of Matisse is a carnival: of light, of warmth, of eros and of art itself. **Matisse** *(Rizzoli; $95)* is a celebration of the celebrator: a formidable, 752-page volume with 930 illustrations that took 14 years to prepare. Not a minute was wasted. The French master's parabola is traced from early still lifes of glowing Oriental rooms and odalisques to the shimmering, heated imagery of dancers, to the paper cutouts and stained-glass windows executed when he was in his 80s. Pierre Schneider's text echoes Matisse's advice to his students: "Retain only what cannot be seen." What was invisible to the audience, the artist represented. What was unknown, his biographer-scholar has revealed.

Carpet knotting was introduced to India in the 15th century. The weaver's art took root and quickly spread through the subcontinent. Masterpieces from Indian looms decorated the palaces of Mughal emperors but remained obscure to the West until the 1851 Crystal Palace Exhibition in London. The result: a profitable European market was opened, production increased to meet demand, and, inevitably, standards and quality declined. Erwin Gans-Ruedin's **Indian Carpets** *(Rizzoli; 318 pages; $85)* is a particolored object lesson in how art is overtaken by commerce. Carpets and rugs from the 16th and 17th centuries demonstrate an imagination all but forgotten in modern examples. An antique Agra is alive with a profusion of delicate figuring; a new Agra is static and merely crowded. Inadvertently or not, Gans-Ruedin's selections give the reader a chance to compare the finest rugs with the run of the mill. It is one's best defense against a dealer's trumped-up superlatives.

It is hard to read **Renoir: His Life, Art and Letters** *(Abrams; 311 pages; $67.50)*. That is not the fault of Barbara Ehrlich White, a Renoir expert who has written a thorough and commendably lucid biography of the great French painter. The problem stems from the size of this magnificent book, which is every bit as big and heavy as it has to be to accommodate hundreds of sumptuous reproductions. They too, of course, distract attention from the text: voluptuous nudes, enchanted gardens, glittering portraits and skies filled to the brim with sunlight. Dedicated readers will learn that Renoir's long life was not as serene and untroubled as the joy that shines from his canvases might suggest. That information is worth knowing, but examining these pictures is a greater reward.

"What interests me is a series of shocks and encounters a person can have," confesses Sculptor George Segal. For nearly three decades, the master of plaster has recorded those seismic occasions, and in **George Segal** *(Rizzoli; 379 pages; $65)*, Art Historians Sam Hunter and Don Hawthorne have gathered the best of them, from '50s paintings like *Dead Chicken* to his life-size casts of individuals trapped in time. Throughout his long career, the artist has trumpeted his message of alienation. But seen in this gallery without walls, the most effective pieces are political—those commemorating the Kent State shooting and the Holocaust, for example. They display one attribute Segal has usually shown more obliquely: emotion.

ELLIOTT ERWITT

Glowing figure from *The Angel Tree*

Michael Warren's *Shorelines: Birds at the Water's Edge*

JONATHAN WALLEN

National Archives of the United States

The Declaration of Independence is there, and the Constitution, the Bill of Rights, the Emancipation Proclamation. But they are just the summit of a mountain of American treasures that are preserved in a vast building on Constitution Avenue in Washington. This historical storehouse, 50 years old this year, is celebrated in **The National Archives of the United States** *(Abrams; 289 pages; $49.50)*, with a knowledgeable text by Herman J. Viola, director of the National Anthropological Archives and photographs by Jonathan Wallen. Presidential papers go back to George Washington; State Department records to Revolutionary War naval prize cases; census records to the first one, in 1790. There are Mathew Brady's photographs, and Walker Evans' too, and confiscated photo albums once kept by Eva Braun. Patents go back further than Eli Whitney's cotton gin (1794), which was so simple to copy that Whitney made no money from it. Abraham Lincoln got a patent for a device to float boats over shoals (never used), and Samuel Clemens, who wrote real books as Mark Twain, got a patent for a stickum-coated scrapbook that sold thousands. A grand and intelligent book.

In **Eye on America** *(New York Graphic Society; $50)* German Photographer Michael Ruetz sets out to "try to show what can and must be appreciated in America"—and succeeds to stunning effect.

Intersection at East Fourth and State streets in Bethlehem, Pa., from *Eye on America*

MICHAEL RUETZ

Decorative Figure, 1925, from *Matisse*

Dawn, 1976-83, from *Will Barnet*

Illuminated page from *The Art of Illustration*

Working with standard Leicas and a new wide-angle camera called the Technorama, Ruetz records the country from his fresh, often idiosyncratic viewpoint. An aerial shot, intentionally, shows as much of the helicopter he is in as the Grand Canyon below. He gives a slightly mordant dimension to the panorama of St. Louis and its Gateway Arch by shooting from East St. Louis with the littered river shore in the foreground. Throughout, Ruetz exploits the interplay of light and landscape at dawn and sunset: in a pair of striking pictures of Monument Valley, for example, and in a dramatic gatefold of Bryce Canyon, where the sunrise just burnishes the tops of the canyon's pinnacles. Dark skies and heavy clouds brood over the land in many of his photos; one, looking across California's fog-shrouded Central Valley from a mountainside above it, is a play of brightness and shadow that seems more a Japanese silk-screen print than a photograph.

Will Barnet is best known for his prints; his bold use of primary colors and flattened perspective, along with the enigmatic presence of women and cats, has become a trademark. The public knows far less about Barnet's painting, and with good reason; a substantial number of his works over the past 50 years reside in private collections. Luckily, some of these patrons have agreed to share their wealth. **Will Barnet** by Robert Doty *(Abrams; 168 pages; $45)* reproduces 91 oils and sketches (48 in color), many for the first time. The result, arranged chronologically, is a fascinating portrait of an artist's development. Barnet has never taken up with the fashionable or trendy. His adherence to representational forms kept him out of several mainstreams earlier this century; characteristically, he experimented with abstractions at a time when many other U.S. artists had given them up. His best work on canvas combines subtle coloring, exquisite composition and severe economy of line. There is no contemporary remotely like him; this book displays the finished products of a school of one.

The history of illustration is at least as ancient as the clay pictographs of Sumer (3000 B.C.) and as new as the freshest video graphics. To trace the highlights of that epic would take unflagging research and a tireless, discerning eye. These are, happily, the attributes of Michel Melot, a Paris-based librarian who seems to have studied every scroll, page and poster

Fabergé egg, Easter, 1897

MACDONALD-C.../FORBES COLLECTION

Books

COURTESY ANTIQUES

Folk Hearts

since the origin of writing and painting. The result, **The Art of Illustration** *(Rizzoli; 269 pages; $60)*, is more than a compendium: it is an oversize, colorful detective story amplified with wit and illuminated with art that flows in a wandering, but reassuringly unbroken line from prehistory to tomorrow morning.

In 1885 Czar Alexander III asked a St. Petersburg jeweler, Carl Fabergé, to make an Easter present for his Empress. The gold and enamel egg so pleased the monarch that he commissioned at least one every Easter. His successor, Nicholas II, continued the tradition, and for the next 31 years, until the Bolsheviks put an end to such inspired extravagance, there was always a Fabergé egg in the imperial Easter basket. A gorgeous rooster pops out of the Chanticleer egg to announce every hour; the Peacock egg hides an enameled gold bird that struts on cue and fans its multihued tail; inside the Trans-Siberian Railway egg is—a golden Trans-Siberian Railway train. Everyone should have one. But for those who cannot, this lavishly illustrated, well-documented history, **Masterpieces from the House of Fabergé** *(Abrams; 192 pages; $35)*, is a handsome substitute.

Fifty is the operative number here: Hawaii is the 50th state, and 50 of the world's leading photojournalists went there to illustrate **A Day in the Life of Hawaii** *(Workman; 221 pages; $40)*. Fanning out through the islands on Friday, Dec. 2, 1983, the cameramen, including Eddie Adams, Gordon Parks and Douglas Kirkland, visited such disparate sites as a delivery room of a hospital on Oahu, the ranch country of the Big Island, a Japanese cemetery near Honolulu and the crest of dormant Haleakala volcano on Maui. The resulting kaleidoscope of scenery and characters, natives and haoles, shows an undiscovered country that, paradoxically, seems to grow more appealing as it becomes more familiar.

Other professional sports may spread throughout the calendar, but to baseball there is still a season. While waiting, bereft, for it to begin again, the true fan will find no brighter winter solace than **Baseball** *(Abrams; 160 pages; $35)*. The 133 color shots by former SPORTS ILLUSTRATED Photographer Walter Iooss Jr. catch all the right action, from Maury Wills airborne on the way to second to Nolan Ryan throwing smoke. But in many ways the photographs are more striking when they turn aside to the game's quieter images: the loneliness of a largely unoccupied dugout; the careworn faces of the managers; the vast summer skies that arch over the diamond, shading imperceptibly to dusk behind the light towers. Baseball, as *The New Yorker's* Roger Angell notes in his graceful text, is not as fast a game as television coverage makes it seem. With its qualities of silence and waiting, it "invites us really to go slow, for a change, almost to stop, in order to reflect on what is before us and what is to come." So does this cloth-bound hall of fame.

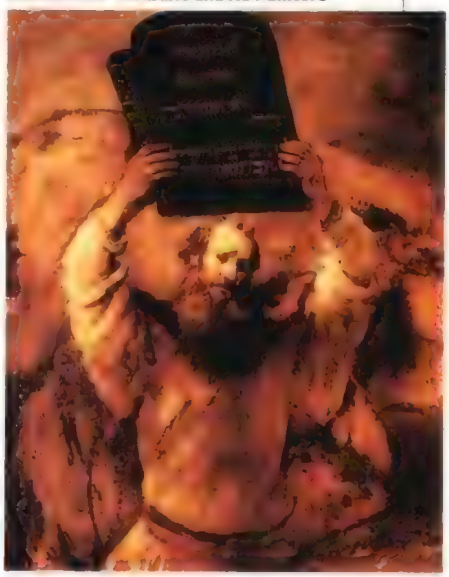
Toward the end of the 19th century, Emile Gallé melded science and art to create an *oeuvre* of glass masterpieces. The luminous art nouveau bowls and vases and the early lamps chronicled by Alastair Duncan and Georges de Bartha in **Glass by Gallé** *(Abrams; 223 pages; $40)* were often adorned with images of flowers, insects, birds, drawn from Gallé's extensive nature studies, or abstractly patterned by pieces of colored glass. Jade, amber, even emeralds and sapphires were reproduced by adding metallic oxides and salts to molten glass. The designer went on to produce other decorative objects, including inlaid furniture, but Gallé's reputation rests on glass works that were revolutionary in his time and still retain their ability to astonish and delight.

Every move Mikhail Baryshnikov makes, onstage and off, seems to have been recorded and analyzed. In fact, more than half his professional life was lived in a shadow—the years before 1974, when he came to the U.S. Now, thanks to Theater Critic and Photographer Nina Alovert, who left the Soviet Union three years later, the dancer's Soviet career has been recaptured in **Baryshnikov in Russia** *(Holt, Rinehart & Winston; 212 pages; $30)*. Here is the 23-year-old star as Adam, alternately impudent and bored in *The Creation of the World;* here is the sinuous Pedro Romero, the bullfighter of Hemingway's *The Sun Also Rises;* here is the classic, vaulting Pan, making the kind of leaps that remain incredible, even when they are frozen on the page and documented by the author. Alovert's text is eloquent, but nothing can match her photographic chronicle; this is the kind of history that is, in the best sense, revealing.

Mughal prayer rug, *Indian Carpets*

About time: a warm, funny and fairly comprehensive visual history of rock, told almost entirely in reproductions of those glossy 8-by-10 studio portraits musicians would drop on fans or sign and leave behind after a gig or a square meal ("To the boys down at the Chicken Shack . . ."). The portraiture in **Rock Archives** by Michael Ochs *(Doubleday; 402 pages; $35)* is

Moses from *The Bible and Its Painters*



Surfer rides a ten-foot wave at the Banzai

guileless even when it is most imposingly posed. There are plenty of candid shots to go along with the p.r. material, including a beauty of Smokey Robinson, backstage with the Temptations, teaching the group a new tune of his called *My Girl*. The book's most valuable contribution is a granting of full weight to the seminal black artists who worked at the tap source of rock and whose pictures sometimes did not show up even on record sleeves. If every picture tells a story, every song ought to be worth at least a single snap, and Ochs has corralled lots of the best of both.

Photographs of animals in the wild can capture invaluable details about creatures rarely seen, but in making static what is by nature elusive, they diminish some of the excitement of the hunt. That may be the chief reason why the field of wildlife illustration continues to thrive. In competent hands, a pencil or brush can register both what is visible and what is not: excitement, discovery, surprise. **Glen Loates: A Brush with Life** *(Abrams; $40)* displays such intangibles in abundance. Loates, a Canadian artist whose magazine work and two earlier books won wide acclaim, manages to combine meticulous craftsmanship with a sense of wonder. When he renders a pair of timber wolves, it appears possible to count every tuft in their fur; his birds, finely detailed, still seem glimpsed as if they are about to fly away. Among the 157 illustrations, including 86 color plates, are a number of Loates' sketches that led up to finished paintings, a documentary record of how a craftsman brings them back alive.

Renoir: His Life, Art and Letters

For New Yorkers and those now visiting the city, the "angel tree" has become an enduring symbol of the season. Dominating the Medieval Hall at the Metropolitan Museum of Art, bedecked with 18th century Neapolitan angels and cherubs, the work seems to crystallize its message. Photographer Elliott Erwitt captures that radiance in **The Angel Tree** *(Knopf; 79 pages; $20)*. Examining the figures individually and in groups, he reproduces the sights that have delighted millions, and conveys tidings of comfort and joy.

This is the heyday of bird painting, and most practitioners are still engaged in heroic portraiture. British Illustrator Michael Warren is a striking exception. In his first collection, **Shorelines: Birds at the Water's Edge** *(Times Books; 128 pages; $25)*, his avian heroes are often tucked away in a corner of a busy canvas, painted head-on or tail-on and overwhelmed by water, sun, rocks and plant life. Working in acrylics, Warren manages to express himself in highly theatrical styles. Long-tailed ducks with early cubist heads bob in expressionist waters. A heron skulks awkwardly through Gauguin greenery. In all, Warren covers some 200 American and European species in 70 finely detailed paintings and 40 casual sketches, one of them a four-part panel of a green sandpiper being pursued by a stoat. The sandpiper gets away.

Glass by Gallé

Hearts are trump in **Folk Hearts** *(Knopf; 107 pages; $25)*. They embellish quilts and samplers, weather vanes and water jars, chests, chairs, tavern signs and tombstones. Authors Cynthia V.A. Schaffner and Susan Klein, both of New York City's Museum of American Folk Art, celebrate the heart's presence in American folk decoration. The image pervaded the culture of the young country and on the evidence of this book reached its zenith among the Pennsylvania Germans. The new immigrants painted their bright, elaborate designs on pottery and furniture, inked them on love letters, and even incorporated them into birth certificates. Amid these ebullient displays, the text is just a touch too scholarly, but throughout, the authors' hearts are in all the right places.

Pipeline* in *A Day in the Life of Hawaii

Holman Field, Dodgertown, Fla., from *Baseball*

The art of European civilization simply makes no sense without its spiritual spine, the Bible. So say British Critic Bruce Bernard and Art Historian Sir Lawrence Gowing in **The Bible and Its Painters** *(Macmillan; 300 pages; $24.95)*, an opinionated and amply illustrated survey of biblical themes in more than 200 paintings produced over six centuries. Rembrandt is, in Gowing's words, "the hero of this book" because he surpassed all artists in getting to the heart of the biblical vision: his works in this volume reach from the famous portrayal of Abraham about to sacrifice Isaac to a shadowy ascension of Jesus into heaven. But Bernard's eclectic and refreshing selection presents many other visions, some quite surprising. The 19th century American Thomas Cole grandly evokes the expulsion of Adam and Eve from Eden; old sobersides Albrecht Dürer brings a lighthearted touch to, of all things, the destruction of Sodom and Gomorrah; and John Martin, a 19th century Englishman with a 20th Century-Fox mind, offers a Cinemascopic *Belshazzar's Feast* that obviously showed Hollywood the epic handwriting on the wall.

"His name is Sinatra, and he considers himself the greatest vocalist in the business," remarked the bandleader Harry James, alternately amused and astonished by the young singer he hired in 1939. The crooner turned out to be a shrewd self-appraiser, and what he said

THE KOBAL COLLECTION

Gene Kelly and friend from *Sinatra: An American Classic*

ART KANE, PARAMUS, NJ

Bob Hope and Bing Crosby, on the road, from *LIFE*

about himself 45 years ago still stands. In **Sinatra: An American Classic** *(Random House; 251 pages; $29.95)*, Music Critic John Rockwell deftly analyzes the Chairman of the Board's technical proficiencies, and his examination of Sinatra recordings of *One for My Baby* is a nice combination of a scholar's observations and a fan's notes. The deluxe photo essay includes family snaps, publicity shots from early movies and candids from heavy romances and long nights out, along with occasional salty observations ("The audience is like a broad—if you're indifferent, endsville"). Rockwell's book will do very nicely until the gentleman in question sits down to talk, not sing, into a mike—or, as he might put it, until the real thing comes along.

America had emerged from the long tunnels of the Depression and World War II, and LIFE was there to record the nation as it began its spurt of unparalleled growth. **LIFE: The Second Decade 1946-1955** *(New York Graphic Society; 200 pages; $29.95)* follows LIFE's earlier photo-journal of the previous ten years. Editor Doris C. O'Neil has selected 200 evocative photographs by such camera virtuosos as Henri Cartier-Bresson, Margaret Bourke-White, Alfred Eisenstaedt, Gjon Mili, David Douglas Duncan, W. Eugene Smith and Philippe Halsman. Many of their images have become part of America's visual memory: the thousand-yard stare of an exhausted Marine retreating from the Changjin Reservoir in North Korea; the infinite gaze of Albert Einstein; a triumphant Harry Truman displaying a copy of the Chicago *Daily Tribune* with the headline DEWEY DEFEATS TRUMAN. The lens surprises U.S. citizens moving unsteadily into the middle class. Europeans and Asians suffering the scourge of new tyrants, and young stars like Elizabeth Taylor, Marilyn Monroe and Truman Capote priming for incandescence.

He was a neurasthenic, an asthmatic, a snob. He was cosseted by his mother and indulged by the salon world of *La Belle Epoque*. The pallid, delicate Marcel Proust (1871-1922) should have been a Parisian lap dog; instead he became one of the most industrious and insightful authors France has ever produced. His massive *Remembrance of Things Past* was a triumph of imagination based on a series of fabulous originals: aristocrats, performers like Sarah Bernhardt and Louisa de Mornand, professionals, wastrels, all of whom decorate the pages of **A Proust Souvenir** *(Vendome; 128 pages; $17.95)*. Their shadowy photographs by Paul Nadar and sparkling cameo biographies cannot explain the author's genius, but they show the roots of his inspiration and give his novel a poignant reality.

PAUL NADAR

Louisa de Mornand from *A Proust Souvenir*

A word of Japanese: *gorin-pisu*. Those who delve into **All-Japan: The Catalogue of Everything Japanese** *(Morrow; 224 pages; $29.95)* will learn that this is one of many English loan words in Japanese and means just what it says, with a Japanese accent: green peas. In this compendium of essays on things Japanese, eight authors of talent and good humor, including Stephen Longstreet and Liza Dalby, explain much of what many people want to know about Japan, although not "everything," as the title so boldly claims. There is almost nothing in this brisk and elegantly illustrated volume, for example, about doing business in Japan, but very much about the experience of living there: about pleasant practices like the art of wrapping packages or the proper way to take a bath, serious matters like the tea ceremony and the bewildering varieties of martial arts, and confounding matters like the social complexities of the Japanese language.

George Plimpton is no paper pyrotechnician, as guests at his annual Fourth of July fireworks displays can testify. Now, in **Fireworks: A History and Celebration** *(Doubleday; 286 pages; $25)*, the literary celebrity deepens his infatuation with things that go boom in the night. Roman candles, pinwheels, whistling aerial bombs and whirlybirds are tracked to their origins and explained. The great patrons of sparkle (Louis XIV, Peter the Great, Charles V) are given their due, as are the contemporary families, like the Gruccis of New York and the Ogatsus of Japan, whose offerings have lighted up the skies around the world. Written with wit and packed with anecdotes, the book covers everything you ever wanted to know about fireworks, except what to do for a stiff neck. ■

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The 380 SE rests on a suspension system whose high sophistication few luxury sedans even attempt to match.

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the reassurance of the computer-regulated Mercedes-Benz Anti-lock Braking System (ABS) as standard equipment.

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THE BOTTOM LINE

The 380SE Sedan is priced at $42,730.* Perspective may be added by noting that year after year after year, not certain isolated models but Mercedes-Benz automobiles *as a line* have been shown to retain a higher percentage of their original retail value than any luxury car sold in America.

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Director Mark Rydell calling the shots on *The River* in Tennessee

Illinois' Kellett welcoming moviemakers to Chicago

Show Business

The Attack of the Alien States

Everybody is grabbing a piece of California's movie action

To Californians it was perhaps the ultimate insult. In an effort to lure film production eastward, the state of Florida took out an ad in show business trade papers with an illustration of one of the most famous sights in Southern California, the hill that displays the giant sign HOLLYWOOD. But where those nine letters should have been, an artist had superimposed seven different ones: FLORIDA. "Hollywood weather without Hollywood overhead," read the caption below.

What was particularly galling was that there was a certain amount of truth in the gibe. As film making in Southern California has become more expensive and more difficult, other states have moved aggressively to capture a business traditionally synonymous with Hollywood. "We're losing the feature-film business," declares Maureen Kindel, president of the Los Angeles City Board of Public Works. "It's as simple as that. It's a lucrative, nonpolluting and glamorous industry, and other states are making a tremendous drive to take it away from us."

Ten years ago, a large proportion of major American pictures were produced in California. In 1981 only half were made there, and in the past two years the number has dwindled to about a third. In fact, of 42 films shooting in the U.S. last week, only nine were being made in California. For the stars, who can find work anywhere, the exodus from Hollywood means little. But for thousands of film technicians and journeymen performers it increasingly signals mass unemployment. According to a study by the Los Angeles Film Development Committee, the state's economy lost $1.6 billion to other states between 1979 and 1982 through cutbacks in movie production.

The state that has gained the most is New York. New York City has long been a film center in its own right, and now has a one-third share of U.S. movie production. In 1983, 66 movies were shot there, including *The Pope of Greenwich Village*, *Ghostbusters* and Francis Coppola's *The Cotton Club*. In the first half of this year, New York City has been host to 42 films, among them *Garbo Talks* and *Falling in Love* with Meryl Streep and Robert De Niro. The next two busiest states are Texas and Florida. Although Florida Governor Bob Graham's goal is to make the state the film center of the world within 20 years, Texas, where 30 feature film and television productions were shot last year, appears to have as good a chance of becoming the "third coast."

Pope being filmed in Manhattan

There are several reasons for the flight from California. One is the trend, which has been growing since the early 1960s, to use authentic locations, guaranteeing that the camera is actually where the script says it is. Director Mark Rydell opted to shoot the upcoming film *The River* in Tennessee because he wanted *real* local color. "Though great things get created on studio back lots, the East does look different from the West," says Barry Levinson, director of *Diner*, which was shot in Baltimore, and *The Natural*, which was made in Buffalo. "At one time Hollywood was crucial. But that has changed with better communication, new methods of distribution, lighter cameras and smaller crews."

Perhaps the most important reason for the change is California itself, which until very recently had taken the movie industry for granted, done little to encourage it and much to discourage it. There are, for example, 83 separate municipalities in Los Angeles County, and a producer may have to obtain permits from half a dozen of them before he can shoot. A film crew that is following a car down Santa Monica Boulevard can pass through four jurisdictions in just a few minutes. Labor costs are also very high. Nonspeaking extras, for instance, are paid $87 a day in California; in neighboring Arizona they make only $35. As a result, producers often favor right-to-work states, where they can avoid union regulations. To meet the

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competition, even New York unions, which used to be as demanding as those in California, have become more cooperative and flexible in the past few years.

Many states, by contrast, will almost give the capitol away to anyone willing to shout, "Lights, camera, action!" All 50 states and several cities have film commissions working hard to lure moviemakers. Indeed, earlier this month Massachusetts Governor Michael Dukakis made a trip to Hollywood and gave a party at a posh Beverly Hills bistro to entice film makers to come to the Bay State. In most places the commissions will get all the necessary permits, persuade hotels to offer discounts, scout out locations and even provide someone to take the director's spouse shopping. The Illinois office has a geography expert on staff who can pinpoint the location a script requires and requisition a state helicopter to show it to the director. "We'll provide anything a film company needs," vows Susie Kellett, managing director of the Illinois film office. "We're all vying for the same business, and we know that every company that calls us is talking to at least five other states. It's guerrilla warfare out there."

Just as worrisome to Californians as the location shooting is the multiplication of out-of-state production facilities. No longer does a producer have to return to Hollywood for editing and other postproduction work. New York City has vastly expanded the Kaufman Astoria Studios, where many silent films were shot in the '20s, and sound stages are being constructed all over the city. The flamboyant North Carolina film producer Earl Owensby, who already owns one studio in Shelby, N.C., is building another: an ambitious 426-acre facility in Myrtle Beach, S.C., which also includes a theme park. Texas, which last year yielded a bumper crop of Academy Award–nominated films—*Terms of Endearment*, *Silkwood* and *Tender Mercies*—boasts a new 20-acre communications complex just west of Dallas that has state-of-the-art production facilities. Moreover, ground has recently been broken for what is billed as the largest sound stage in the world, 22 miles northeast of Houston.

California is beginning to fight back. In September, Governor George Deukmejian signed into law legislation creating a new California film office which will help streamline the procedures for the use of state-owned property. Los Angeles itself has been successful in retaining some films that were about to be shot elsewhere. *Blue Thunder*, for instance, was originally to be shot in Chicago. Some observers wonder, however, whether such responses may be too late. Says Louis Steinberg, president of the Los Angeles Film Development Committee: "Five years from now we may meet and say, 'Hey, when did we throw away the movie business? There was a film industry here, and it was big and good. But now it's gone. Why?' " —*By Gerald Clarke. Reported by Denise Worrell/Los Angeles, with other bureaus*

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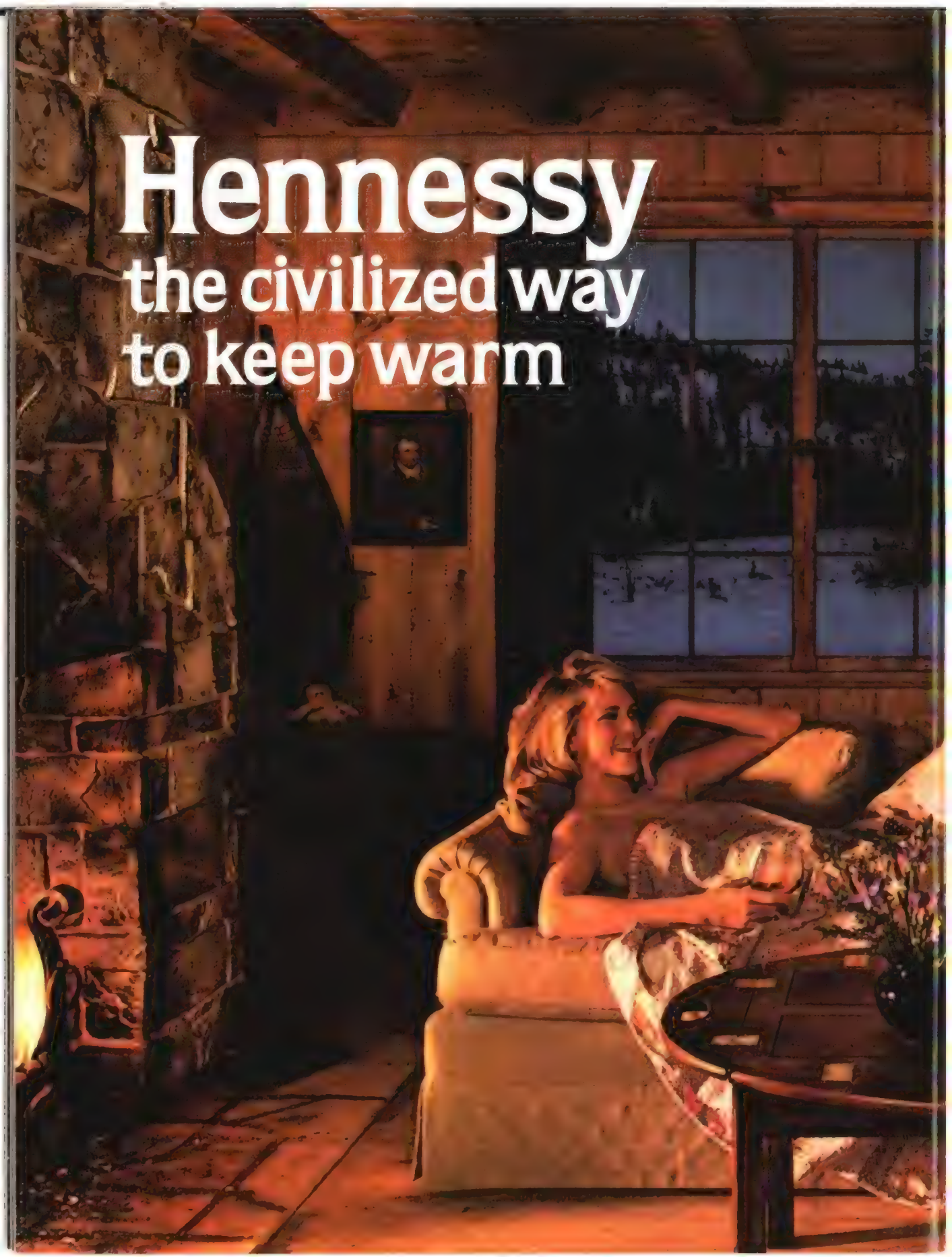
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Muzak, now 50, soothes (or irritates) 80 million people a day

Yes, this was the year in which Ronald Reagan was re-elected to the White House, but those with a broader historical perspective have other things to commemorate. Like the 400th anniversary of Sir Walter Raleigh's first colony in the New World, the 300th anniversary of the completion of the Hall of Mirrors at Versailles, the 200th anniversary of Mozart's *Marriage of Figaro*, the 100th anniversary of the first volume of the *Oxford English Dictionary* and the 50th anniversary of Muzak. Muzak? Wouldn't that be like celebrating the first broadcast singing commercial (1924)?

General George Squier as chief of Signal Corps
Imagining a new kind of radio network.

The sound of Muzak is, of course, almost everywhere, and metastasizing: in the bank and the supermarket and the office elevator, on the telephone line when the victim has been put on hold. It plays in the White House and the Pentagon; it played during the Olympics; it played in the Apollo XI spaceship that carried Neil Armstrong to the moon. The Muzak Corp., which is now part of Westinghouse, estimates that its recordings are heard by 80 million people every day; they are syndicated in 19 countries; the company and its affiliates take in more than $150 million annually. "Muzak promotes the sharing of meaning," says James Keenan, an industrial psychologist and chairman of the firm's board of scientific advisers, "because it massifies symbolism in which not few but all can participate."

But not quite all, Dr. Keenan.

"Horrible stuff" was the term once applied by the artist Ben Shahn. "Abominably offensive," said the novelist Vladimir Nabokov. And Philip Glass: "The range of music is truly enormous—opera at the top, Muzak at the bottom." John Cage spoke of composing a piece especially for the tormentors, with no notes in it. "The first step in describing silence is to use silence itself," Cage explained. "Matter of fact, I thought of composing a piece like that. It would be very beautiful, and I would offer it to Muzak." Perhaps Cage had that in mind when he created *4'33"*, which consists of one or more musicians sitting on a stage and not playing their instruments for 4 min. 33 sec.

That Muzak should soothe the inhabitants of the Pentagon is fitting, for the whole system was basically the creation of an unusual general, George Owen Squier, a West Pointer ('87) who devoted much of his Army career to science. Assigned to evaluate the military potential in the experiments of the Wright Brothers, he became in 1908 one of the first passengers to fly, for all of nine minutes, in a Wright machine. As a young artilleryman, he invented the polarizing photochronograph to measure the speed of a projectile.

On the U.S. entry into World War I, Squier became head of the Signal Corps, and his omnivorous curiosity led to a notable invention: a system for transmitting several messages simultaneously over existing electric power lines. In 1922, nearing retirement, he took his ideas and his patents to the North American Co. utilities combine, which backed him in launching Wired Radio, Inc., a kind of competitor to the booming fad for wireless radio. But not until 1934, the year of his death, did the general think up a catchy new name, combining the sound of music with the sound of the popular camera called the Kodak.

The first Muzak recording in 1934 was a medley of *Whispering, Do You Ever Think of Me?* and *Here in My Arms*, performed by Sam Lanin's orchestra. The first customers were householders in the Lakeland section of Cleveland, who were offered, for $1.50 a month, three channels ranging from dance music to news. As a novelty, Muzak might well have gone the way of Sam Lanin's orchestra. But a series of experiments started in the late 1930s provided Muzak with the secret that converted base music into gold.

The secret was that music could get more work out of people. Eureka! An early test, conducted at the Stevens Institute of Technology in New Jersey, showed or purported to show that "functional music" in a workplace reduced absenteeism by 88% and early departures by 53%. Other

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tests produced even richer results. When *The Blue Danube* was piped into a dairy in McKeesport, Pa., the cows gave more milk; recordings inspired chickens to lay more eggs. The coming of World War II made this more than a matter of money: thousands of U.S. factories, arsenals and shipyards were wired for music and increased production by as much as 11%.

Muzak is still conducting such tests, and still crowing over the results. At a firm called Precision Small Parts Inc. in Charlottesville, Va., for example, Muzak spent three months last year testing six women who spent their dreary days deburring very small items with dental drills. With Muzak in their ears, they deburred 16.8% more than before. Other tests showed that if music can make people produce more, it can also make them buy more. Sedately

In dissent: Novelist Vladimir Nabokov

Deadening one of life's great pleasures.

paced melodies in a supermarket slowed down customers enough so that they spent 38% more money.

Muzak enthusiasts argue that there is a great tradition of music as an accompaniment to work. "It did so in the fields behind the great castles and monasteries of the middle ages," says Keenan. "It did so on shipboard and in the taverns where sailors met to sing their chanteys." Keenan has even unearthed a songbook once issued by a youthful industrial firm, which included a spirited ditty called *Ever Onward Ever Onward:* "Our reputation sparkles like a gem/ We've fought our way through and new/ Fields we're sure to conquer too/ Forever onward IBM."

The gentler inspirations that Muzak calls "environmental music" work for several reasons, particularly for people subject to either stress or boredom. Music is soothing. Oddly enough, Muzak even claims that its recordings make workers feel more in control of their environment and more cared for by their employers. Most important, though, is that workers slow down in mid-morning and mid-

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THE MORE YOU LIKE.

Music

afternoon, and music can counteract that. Muzak's selections get faster as the workers near those slack periods. The company calls that "stimulus progression."

Muzak music is not supposed to be consciously heard. "Once people start listening they stop working," says Muzak's president Tony Hirsh. That is why its songs never have words. But though Muzak has come to seem synonymous with slushy string tones, the company makes a great effort to keep up to date. Its current repertory of 5,000 includes songs by Michael Jackson and the Police, as well as Cyndi Lauper's *All Through the Night*. In fact the company records about 1,000 new hits every year. It makes its selections with the help of a computer and broadcasts the tunes by satellite from Stamford, Conn., to

TED THAI

In opposition: Composer Philip Glass
"Muzak is at the bottom."

180 receiving stations around the country.

But if Muzak at 50 is so useful and productive and successful and popular (the company says its polls repeatedly show that more than 85% of its customers enjoy what they get), why do some people hate it so passionately? One reason is simply that they believe this system perverts and prostitutes one of life's greatest pleasures, listening to music. And it probably deadens people's ability to enjoy music that they do listen to by choice. And the whole process is coercive. People who did not want to hear radio music pumped into them on Washington buses carried their objections all the way to the Supreme Court, only to have the court rule in 1952 that this invasion of their privacy was not an invasion of their privacy. (Justice William Douglas' dissent reasserted the principle that "the right to be let alone is indeed the beginning of all freedom.") Composer Jacob Druckman is one man who retains a sensitivity to music even when Muzak tells him not to listen. "I grit my teeth whenever I go into an elevator or a restaurant," says he. "With any other medium, you can turn your back or close your eyes, but there's no escape from music." —*By Otto Friedrich*


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Theater

Ronstadt and Carroll: singing past each other without making contact

Petit Opera, Not Grand

LA BOHÈME *by Giacomo Puccini*

The irreverent music lover attends this sassy and unconventional *La Bohème* in a mood for sedition. That does not mean impatience with the soaring lyrical glories of Puccini's music—nobody boos a sunset. But Mimi, the consumptive Parisian seamstress, has been a dying duck since the opera's first performance in 1896, and her fog-witted lover Rodolfo, the poet, has moped melodiously for the same stretch. A certain amount of dust has gathered. Only the fustiest of traditionalists would grouch at the news that Joseph Papp's musical irregulars from the New York Shakespeare Festival have decided to give *Bohème* an airing out.

These are the same pranksters who four years ago made a rowdy success of the lovable Gilbert and Sullivan warhorse *The Pirates of Penzance*. Then as now, Papp was the producer, Wilford Leach the director, William Elliott the music supervisor and conductor, and Pop Singer Linda Ronstadt was boss soprano in charge of provoking doleful predictions that she could not possibly handle an operatic lead. Doomsayers to the contrary, Ronstadt trilled winsomely as Mabel.

The new *Bohème*, sung in a flip, funny new English version by Lyricist David Spencer, is no *Pirates*-sized smash, but its opening night last week, in Papp's tiny Anspacher Theater, was a modest, almost bashful, success. This is petit opera, not grand, but there is a clear gain in warmth and intimacy at the level of drama. The singers use body mikes instead of heroic rib cages and Pavarottal diaphragms, but they are young and good-looking, and they have no trouble seeming appropriately broke and love-sopped. Nor in delivering Spencer's sometimes jarring lines: Marcel, the artist, tells Rodolfo, "I'm freezing my nuts off.") By the time Mimi and Rodolfo have fallen into their first-act clinch, as a mandolin plucks away in the twelve-piece theater band, sentimentalists are dabbing at their eyes.

That is the test: if the hankies come out, *Bohème* is a success. The shocker was that onlookers misted up not for Ronstadt but for another Mimi, tiny, strawberry-blond Soprano Patti Cohenour. (Lead duties are divided: Cohenour sings four of eight weekly performances; Ronstadt three, and another Mimi, Caroline Peyton, the remaining show.) The sweet-voiced Cohenour and her surprisingly strong Rodolfo, Country Singer Gary Morris, seemed lyrically in love. The other leads, a fine Marcel (Howard McGillin) and a brilliant Musette (Cass Morgan), took fire from them. The night before, Ronstadt and *her* Rodolfo, David Carroll, had sung at and past each other without making contact, and the rest of the cast was in shock.

The fault was Ronstadt's. Her voice seemed small and uncertain, and she was unable to move from her strong, rock-belter's low register to her silvery high notes without shifting gears awkwardly in her uncertain middle range, where most of Mimi's singing is done. It seems doubtful that her deficiencies are readily curable. She must have known early in rehearsal that the experts had been right to say that a pop singer could not make the leap to *Bohème*. She might have quit then and sunk a production that depended heavily on her name. That she stayed to take her critical lumps may have been arrogance, or it may have been a rare act of gallantry.

—*By John Skow*

Art Is Messy

ROMANCE LANGUAGE
by Peter Parnell

Last night Walt Whitman had the strangest dream. There he was, staring out his bedroom window, when who should hop in but Huck Finn, itching to travel. "Dress warmly," Walt's dead mom told him. And we're off to see Louisa May Alcott, who's having an affair with a Tahitian prince. Over there's Charlotte Cushman, the noted actress, playing Hamlet to Emily Dickinson's Ophelia; they become co-stars and lovers. Old Ralph Waldo Emerson is having a chat with the dead Henry David Thoreau. "Sex can be messy; art can't. That's why I've always preferred it." Then just about everyone shows up in Montana, where Louisa falls for General George Armstrong Custer, and Charlotte dallies with a Dietrichesque saloon singer who is really a man. They all die at Little Big Horn and go to heaven. And in the wink of a REM, the dream is over.

Like most dreams, *Romance Language* builds up its head of hallucinatory steam only when the night is half over. But at full throttle, Playwright Parnell's mixture of historical figures and fanciful situations makes a genial noise. This is the land of vaudeville revisionism previously charted by *Indians*, *Travesties* and *Cloud 9*, where social satire speaks in the vocabulary of dreams—the mind's own romance language. It is a pleasure to see Cynthia Harris (Charlotte), Valerie Mahaffey (Emily) and the 19 other cast members cavort so merrily on the tabletop stage of Manhattan's Playwrights Horizons Theater, complementing the grandeur of Parnell's vision with the grandiosity of their performances. As Walt might have proclaimed, Dream big, boys and girls! And dream on.

—*By Richard Corliss*

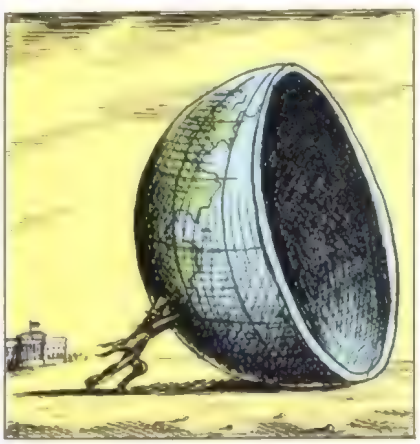
Co-star lovers: Harris and Mahaffey
In the land of vaudeville revisionism

Essay

Reagan II: A Foreign Policy Consensus?

The second Reagan Administration has a rare opportunity to reshape American foreign policy. President Reagan's overwhelming election victory has strengthened his already impressive capacity for political leadership, reinforcing his authority to deal with the factions of his own party, with the feuding wings of the bureaucracy and with foreign countries. The question is whether he will seize that authority and will know how to use it. Which Reagan, and which Reagan advisers, will dominate? The stubbornly hard-line or the flexible President, the "ideologues" or the "pragmatists" among his counselors? The labels are somewhat oversimplified, but they do describe a genuine conflict, and in the first term, the evolution of that conflict was quite evident: from ideology to pragmatism.

The Administration started out with a hard-line, aggressive and Manichean set of policies, or pronouncements, that in nearly every instance gave way to compromise and at least outward accommodation. This was true of attitudes toward the Soviet Union, arms control, Central America and the European allies, among others. The need to compromise was symbolized by the resort to bipartisan commissions (the Scowcroft panel on the MX missile, the Kissinger group on Central America) that did extremely useful work and produced sound, generally centrist recommendations, which by no reasonable standard could be described as weak. Despite recent, markedly pacific gestures from the Administration, it remains to be seen whether, in the second term, such centrist policies will prevail or whether the right-wing "true believers" will succeed in reasserting the ideological super-hard line. On the answer depends the possibility of reaching a new national consensus on foreign and defense policy.



Up to a point, the hard line was a useful corrective for weak and confused policies of the past and was welcomed in many quarters as a sign of a new American assertiveness. Administration critics almost automatically preface "ideology" with "right-wing." But there is liberal or left-wing ideology too, and its reading of Soviet intentions and of the causes of Third World instability often has been just as simplistic as right-wing interpretations, if not more so.

Besides, the Administration did have its successes. The arms buildup may have been excessive, and ill-advised in some particulars. But it was plainly necessary. It constitutes the most important single "foreign policy" action by Reagan so far. Another clear achievement was the missile deployment for NATO, in the teeth of all-out Soviet opposition. Dealings with China, despite decades of a deep Republican commitment to Taiwan, were prudent and professional. The same may be said, at the risk of considerable disagreement, about the Reagan policy toward South Africa. In other instances, policy was muddled through lack of skill and understanding, as in the Middle East.

On balance, the Reagan Administration often proved itself quite capable of realistic and largely nonideological policies, but they did not fit into any unified concept. Thus "more pragmatism" is not a sufficient foreign policy prescription for Reagan II. What is required is pragmatism within a framework of principle; firm assertion of American goals combined with a recognition that there are different ways of attaining them, and that some may be unattainable in the near future. Passion without skill can be worse than skill without passion. Reagan II must recognize more clearly that toughness can take many forms and that guile and the ability to maneuver are every bit as important as muscle.

In perspective, the Reagan Administration's difficulties in dealing with the Soviet Union are familiar, almost traditional. From the outset, the Administration had trouble coping with the yes-but formula advanced for the last three decades by just about every specialist in the field: Yes, we must be strong, but at the same time flexible. Yes, we must understand that the Russians are relentless foes, but at the same time we must seek ways of coexisting. And so forth. Almost every new Administration comes into office paying lip service to the principle, while actually believing that a fresh start, a new approach—softer or harder—will permit escape from the painful, laborious double track.

The Administration was particularly determined to reject the formula, which requires the ability to hold two opposite ideas at the same time (the mark of a first-rate intelligence, according to F. Scott Fitzgerald). This runs against the American tendency to believe in solutions; the formula implies that U.S.-Soviet strains are not a problem to which there is a solution, but a more or less permanent condition that can only be alleviated, not cured.

The fact is that the Reagan Administration is being pushed toward something that, by any other name, is still détente. As long as it can be protected from the utopian left, which sees it as institutionalized brotherhood, and from the triumphalist right, which sees it as institutionalized surrender, and defined as no more or less than controlled conflict, détente remains the inescapable intellectual framework for American policy. And within that framework arms control is crucial. True, its achievements in the past have been modest at best, progress has been glacial and the process at first aroused exaggerated expectations. Technology keeps threatening to outpace possible negotiations. But there is simply no convincing alternative.

The Reagan Administration has often acted as if any arms-control proposal acceptable to the Soviets must be automatically flawed. In fact the Soviet Union, like the U.S., will naturally accept only proposals it considers to be in its own self-interest. The open contempt for arms control expressed by some members of the Reagan circle and the unrealistic proposals for cuts offered at the outset of the Strategic Arms Reduction Talks (START) have obscured a central fact: the major source of the problem lies in the Soviets' own aggressive nuclear buildup and their excessive view of what they require for their own security. Thus even a "reformed" Reagan Administration with a more tolerant approach to arms control may not get anywhere with the Soviets.

There are certain concessions beyond which no Administration can or should go to win an agreement. At the same time, President Reagan seems to have disavowed the possibility that America can permanently restore any significant nuclear superiority over the Russians. What is at issue is an acceptable but more realistic definition of parity.

Unfortunately, much of the arms-control debate seems like a scholastic exercise about how many warheads can dance on the head of a missile. This frightful air of unreality has much to do with the desire both on the left and on the right, in a curious mirror image, to escape these dilemmas and to find simple and understandable solutions. On the left, the desire to escape takes the

Illustrations for TIME by Eugene Mihaesco

form of a naive belief in good will or in unilateral actions. On the right, it takes the form of a search for "superiority," in the belief that we can outspend the Soviets and outdo them more or less indefinitely in technology. The Administration's Strategic Defense Initiative ("Star Wars") is an elaboration of this view.

The Star Wars program has a certain appealing plausibility: defense is better than offense, safety behind a shield in the sky is better than the "balance of terror." Technological feasibility aside, however, the opponents of Star Wars seem to have the better case. The prospect of one side more or less safe while the other side is open to attack is untenable in the nuclear age. Moreover, in the absence of a new bargain with the Soviets, such a situation is bound to be relatively short-lived. Sooner or later the Soviets can catch up with American technology, the most notable example being multiple independently targetable re-entry vehicles (MIRVs). But this does not mean that development of a defensive system should be banned independently of what is done about nuclear weapons in general. The Soviets seem genuinely afraid of a technological race with the U.S. in space defense. This fear should be used as a major bargaining chip.

The elements of an agreement for offensive weapons exist. They are summed up in the phrase "off-setting asymmetries"—the recognition that the Soviets will not significantly cut their principal arsenal of ground-based missiles unless the U.S. makes certain concessions in an area where it is particularly strong, namely bombers, cruise missiles and, increasingly, submarine-launched ballistic missiles.

This principle is recognized in various schemes, including the so-called framework approach advanced by the State Department in August 1983 but never adopted by the Administration and in the so-called double build-down scheme, under which both sides would discard old weapons as new ones were produced. These schemes should become the basis for the Administration's negotiating position.

Despite the Soviets' stated willingness to return to the negotiating table, movement toward an agreement, if any, is likely to be excruciatingly slow. At any rate, what is needed is a merger or at least a link of INF (for Intermediate-range Nuclear Forces) and START negotiations plus space-defense negotiations. There is simply not enough room for bargaining and trade-offs if things are to be fought out separately in different arenas.

Apparently the President genuinely hopes to make progress in the area. The issue is not sincerity but intellectual capacity and will. He will have to become personally involved in the process, understanding it far better than he has so far, or else appoint a really trusted, high-level associate with the power to enforce his views. He will have to crack down hard on the guerrilla war between parts of the Administration. Throughout the first Reagan term, "negotiability" with the Russians was not the issue, but rather negotiability within the Administration. This situation can be ended only by a decisive President and very likely a change in some of the principal characters.

In dealing with the larger world of politics and psychology surrounding the enclaves of missiles and warheads, Reagan II would do well to take certain precepts to heart. One is that we have only very limited means of influencing events inside the Soviet Union. Fierce rhetoric certainly will not do it. Criticism, of course, must not cease, but the U.S. must also be very cautious in linking condemnation to practical policy, or in suggesting that peace requires drastic changes in the Soviet regime. A lesson from pre-Reagan days, but still applicable, involves one of the most destructive actions of U.S. foreign policy, which was championed by the usually very wise Henry M. Jackson: the late Senator's attempt to force liberalization of Jewish emigration from the U.S.S.R. by denying Russia most-favored-nation treatment. Focusing on Jewish emigration as distinct from any other, possibly worse, abuses in the Soviet system was not only arbitrary, it was clearly counterproductive.

The Reagan Administration also needs to get better at matching means and ends, although this does not imply ceding anything to the Soviets that need not be ceded—and certainly not without exacting a price. Those who urge a last-ditch stand against Soviet influence everywhere, a sort of Churchillian resistance sometimes suggested by apocalyptic right-wingers, overestimate both our will and our resources. America must differentiate, without of course publicly drawing a map, between areas and situations of the first or second or fifth importance.

Certain basics are beyond compromise. But many policies can and should be stopped or moderated in exchange for something else. American aid to resistance fighters in Afghanistan, for example, should continue. But eventually the Soviets might be willing to curb certain actions elsewhere in the world in exchange for Western accommodation over Afghanistan. The willingness to deal at the right moment is essential.

Whether such a moment will present itself in Central America is not certain. Where Central America is concerned, a debate rages between those who argue that the chief cause of Third World insurgencies is economic and social injustice, and those who argue that it is interference by the Soviets or their surrogates. Nothing is more futile or arid than this argument. Obviously both forces are at work, and both must be coped with. The Reagan Administration has balanced the two approaches—the stress on force and the stress on development—more successfully than it is generally given credit for.

The Reagan team undoubtedly started with an excessively apocalyptic view of the situation. But it was essentially right in believing that a successful Communist revolution in El Salvador, or neighboring countries, no matter how seriously driven by the thirst for social justice, would be an American defeat.

In El Salvador, the election of President José Napoleón Duarte was something of a turning point—and incidentally, would not have occurred had the Administration followed the counsel of those Congressmen who, since 1981, have sought to condition continued military aid to the Salvadoran government on the commencement of indiscriminate negotiations with the guerrillas, which would have led to "power sharing."

The Duarte regime remains fragile. The dialogue he initiated with the guerrilla leaders could prompt the far right to sabotage his government. Moreover, it is far from clear what can come of this dialogue. It is premature to hope that the guerrillas will put down their arms, trusting in the government's security guarantees, and take part in elections. But the prospect of such an outcome is at least somewhat more plausible than it seemed a year ago.

The situation in Nicaragua is less hopeful, and the choice for Washington painfully limited. There is no serious prospect that, by themselves, the counterrevolutionaries, or *contras*, could overthrow the Sandinista regime, much as that would be in the American national interest. But they have proved important as an instrument to make the regime more malleable; there is little evidence to support the opposite view, that they solidified the regime. By cutting off aid to the *contras*, Congress irresponsibly deprived the U.S. of an important bargaining counter.

The Contadora process, involving efforts by the governments of Mexico, Colombia, Venezuela and Panama to achieve peace in the region by negotiation, can be useful, depending on how it is handled. The original proposals could, if pushed to their maximum, provide for the removal of Cuban and other foreign forces, prevent foreign bases and eliminate arms assistance to other revolutionary forces elsewhere in the area. In general, the U.S. should continue working with Contadora, but it must insist on effective enforcement and should not let itself be pressured into accepting a premature and incomplete agreement. Standing on principle and playing for time may not be the worst policy here. Obviously, the appearance in Nicaragua of

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sophisticated offensive weaponry could change the equation.

Ultimately, the most important foreign policy goal for Reagan II lies in domestic politics: to achieve at least some measure of consensus on foreign and defense issues, especially regarding the Soviet Union. Unfortunately, the more or less bipartisan approach to foreign policy that prevailed from World War II till Korea—some would say till Viet Nam—was neither typical nor natural. Yet there are special moments—this may be one—when the normal partisan quarrel over foreign affairs can be muted if not suspended.

It will be very difficult, putting it mildly, to persuade the fervent ideologues in the Republican Party of this. They see the election as a clear mandate for the hard-line Reagan and for their more extreme goals. Nor will the right wing necessarily hesitate to attack the President if it considers him too weak, especially because he will be increasingly a lame duck. Nevertheless, he remains a hero to a majority of Americans, and his anti-Communist credentials are so strong that the country at large would have a hard time accepting the notion that he had gone soft.

The first term has shown that extreme hard-line positions not only fail to work with the Russians but in domestic politics as well. An analysis of the election returns makes clear that voters liked Reagan's patriotism, his emphasis on American strength and even rearmament, but also wanted far more serious effort in arms control and peaceful diplomacy.

If the President wants to leave a legacy of better relations with the Soviets, as well as gain a serious chance of another Republican victory in 1988, everything indicates that he must follow more or less centrist policies. The best hope for the Democrats would be a Republican candidate and a set of policies to revive the "warmonger" fear of the earlier Reagan days. Thus, for political reasons as well as for idealistic ones, Reagan has every incentive to reach out to the Democrats in search of consensus.

Do the Democrats have any incentive to meet him even halfway? Just as Reagan had to move to the center, they did too. Despite emotional support for a nuclear freeze and for the notion of banning nuclear weapons from outer space, voters did not favor positions they suspected might mean unilateral U.S. concessions. And if Reagan II is at all successful in improving U.S.-Soviet relations, the Democrats will have very little to gain from the issue. They would do better to ease the issue out of politics and earn at least some of the credit for embracing bipartisanship.

The Democrats would have to disown the quasi-isolationist and quasi-pacifist positions of many liberals (which Walter Mondale did only partly toward the end of the campaign). Similarly, Reagan would have to continue distancing himself from the far right. There is a lot of room for him to do that without in any real sense "going soft." He can argue with reason that he is now able to negotiate from strength. A tough but realistic position on arms control may well win bipartisan approval.

Agreement might be harder on issues like Central America and the military budget. But among the things Reagan could safely concede would be some further reductions in the defense budget combined with overall reform of the armed forces. Defense expenditures growing at a somewhat slower but sustainable rate backed by bipartisan consensus would be far more impressive to the Soviets than higher defense expenditures, which are probably not sustainable and at the mercy of congressional or partisan politics. One of the greatest boons to the Soviets over the years has been American inconsistency and the chance of playing Democrats off against Republicans. To avoid this and to achieve at least partial consensus would be worth a great deal. —***By Henry Grunwald***

The foregoing, written by the editor in chief of Time Inc., is adapted from an article in the winter issue of Foreign Affairs.

Milestones

SEEKING DIVORCE. Sasha Stallone, 33, from **Sylvester Stallone,** 38, the celluloid heavyweight of *Rocky I, II* and *III* and two-fisted star of numerous other movie thrillers; after ten years of marriage; in Los Angeles. She filed for a divorce once before, in 1978. Later the couple reconciled.

HOSPITALIZED. John C. Stennis, 83, Mississippi Democratic Senator and dean of the upper house who eleven years ago survived a mugger's bullet; in satisfactory condition after the amputation of his left leg at the thigh because of an inoperable malignant tumor; at Walter Reed Army Medical Center in Washington.

DIED. George Howard, 64, Lord of Henderskelfe, sartorially flamboyant chairman from 1980 to 1983 of the British Broadcasting Corporation and squire of Castle Howard, his magnificent ancestral home, known to millions as the setting for the series *Brideshead Revisited;* of a heart attack; at Castle Howard, in Coneysthorpe, Yorkshire.

DIED. Fernando Corena, 67, Swiss-born *buffo* opera star who sang 726 performances with New York City's Metropolitan Opera from 1954 to 1978, specializing in such roles as Falstaff and Dr. Bartolo in *The Barber of Seville* and winning the delighted chuckles of audiences and critics, one of whom dubbed him "the greatest scene stealer in the history of opera"; of a heart attack; in Lugano, Switzerland.

DIED. Bernard J.F. Lonergan, 79, Jesuit philosopher and theologian whose championship of rigorous intellectual inquiry as a means of revivifying faith placed him among the foremost Christian thinkers of the 20th century; in Pickering, Ont. A demanding and temperamental teacher, the priest was the author of two densely reasoned, seminal texts: *Insight: A Study of Human Understanding* (1957) and *Method in Theology* (1972). Lonergan sought to reshape theological inquiry in light of modern scientific and philosophical advances.

DIED. Sylvan N. Goldman, 86, inventor of the shopping cart and multimillionaire philanthropist whose fortune was estimated last year by *Forbes* magazine to be $200 million; in Oklahoma City. Supermarket Owner Goldman built the first shopping-cart prototype in the mid-1930s using a folding chair as a model. The idea, which he patented and eventually marketed, came to him while he watched women using then standard market baskets. Said he: "They had a tendency to stop shopping when the baskets became too full or too heavy."

DIED. Hans Speidel, 87, co-conspirator in the 1944 generals' plot to assassinate Adolf Hitler and from 1957 to 1963 NATO commander of allied land forces in Central Europe; of pneumonia; at his home in Bad Honnef, outside Bonn, West Germany. One of Germany's military elite, Speidel became disgusted with Hitler's conduct of the war and joined the unsuccessful bomb plot to kill the Nazi dictator at Hitler's East Prussia headquarters. Remaining silent under interrogation, Speidel survived the subsequent Gestapo inquisition. When West Germany's army was finally rebuilt in the mid-1950s, he was called to help and became one of NATO's most respected commanders.


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